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CURRENT SERIAL RECORDS

U.S. Department of Agriculture

1963 BUDGET

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STATISTICAL REPORTING SERVICE
AGRICULTURAL MARKETING SERVICE
FOREIGN AGRICULTURAL SERVICE
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ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service was established by Secretary's Memorandum No. 1446, Supplement No. 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service develops and carries out a program of economic research designed to benefit farmers and the general public. The findings of this research are made available to farmers and others through research reports and through economic outlook and situation reports on major commodities, the national economy, and the international economy. The Service carries out the following major activities:

1. Farm economics research consists of a nationwide program of research dealing with the economic problems of agricultural production and resource use to measure, appraise and analyze on a continuing basis, the current and prospective changes that occur in agriculture, and to evaluate the adjustments which farmers and the industry can make feasibly to meet these changing conditions.
2. Marketing economics research, including economic and cost analyses and research relating to the marketing of specific agricultural commodities; the organizational structure and practices of commodity markets; costs and margins involved in the marketing of agricultural products; farmers' bargaining power; the economics of product quality and grade; market potentials, distribution and merchandising of agricultural products; and the economics of transportation.
3. Domestic and foreign economic analysis. Domestic economic analysis consists of economic and statistical research on agricultural prices, farm income, commodity outlook and situation, the supply and consumption of farm products, farm population and rural life, and agricultural history. Foreign economic analysis includes economic studies of supply of, demand for, and trade in farm products in foreign countries and their effect on prospects for U. S. exports, analysis of farm export programs, progress in economic development and its relationship to sales of farm products; assembly and analysis of agricultural trade statistics; and analysis of international financial monetary programs and policies, as they affect the competitive position of U. S. farm products.
4. Research under Sections 104(a) and (k) of P.L. 480. Economic analyses and research projects beneficial to the United States which can be advantageously conducted overseas by foreign research institutions and universities are financed with foreign currencies through contracts and grants. Professional personnel carefully review and appraise for technical adequacy these projects prior to carrying on the negotiations leading to contract execution. During the course of the work, the Service periodically appraises progress and methods used in the contract or grant, and reviews reports produced as a part of the project. The Explanatory Notes under the appropriations for the Foreign Agricultural Service and the Agricultural Research Service contain discussions of 104(a) and (k) activities.

5. Work performed for others - The ERS performs research services for other Federal, State and private agencies on a reimbursable or advance payment basis. These include special studies of agricultural economics of foreign countries, the AID foreign visitor training program, special economic studies on water and land conservation programs and practices, appraisals of price-support and production control programs, and various types of marketing studies.

The ERS functions through a central office in Washington, D.C., and through a field organization which is involved chiefly in farm and marketing economic research. Much of the research is carried on in cooperation with State experiment stations, State Departments of Agriculture or marketing, and other State institutions.

As of November 30, 1961, there were approximately 953 full time employees of whom 185 were in the field. In addition, there were 138 part-time and intermittent employees, chiefly in the field.

	<u>Estimated Available, 1962</u>	<u>Budget Estimates, 1963</u>
Appropriated funds:		
Salaries and Expenses	\$9,360,000	\$10,440,000
Transfer in 1963 estimates from Salaries and Expenses, Farmers Home Administration (for rural housing research)	<u>50,000</u>	<u>- -</u>
Total, Appropriated funds	<u>\$9,410,000</u>	<u>\$10,440,000</u>

Proposed Transfer in the 1963 Budget Estimates

The budget estimates for fiscal year 1963 provide for a direct appropriation to the Economic Research Service for economic research relating to rural housing which was financed in fiscal year 1962 by a \$50,000 allotment from "Salaries and expenses, Farmers Home Administration." Funding by this allotment in fiscal year 1962 rather than by direct appropriation to ERS resulted from the enactment of the Supplemental Appropriation Act, 1962, in which Congress appropriated to FHA funds for a program of research, study, and analysis of rural housing to support the rural housing loan activities of the Farmers Home Administration. A substantial need for economic research, study, and analysis of rural housing developed.

The ERS, as the Department agency assigned responsibility for economic research, has the primary technical competence for conducting such research as may be needed in reference to rural housing. The transfer in the estimates of funds for this purpose from FHA to ERS will simplify budgetary control and administration of this activity.

Salaries and Expenses

Appropriation Act, 1962	\$9,360,000
Transfer from "Salaries and Expenses,"	
Farmers Home Administration (for rural housing research) ..	50,000
Base for 1963	9,410,000
Budget Estimate, 1963	10,440,000
Increase	<u>+1,030,000</u>

SUMMARY OF INCREASES, 1963

To expand economic studies on rural development and on problems relating to the civil defense program	+190,000
To strengthen economic analysis of land and water conservation and development	+280,000
To expand studies on the economics of farm size and prospective number of farms under alternative conditions ..	+125,000
To expand domestic agricultural economic and statistical analysis, particularly research on how to improve commodity and outlook situation reports	+185,000
To strengthen foreign economic development research and expand analyses of supply, demand and foreign trade in U. S. farm products	<u>+250,000</u>
Total increase, Salaries and expenses	<u>+1,030,000</u>

PROJECT STATEMENT

Project	1961	1962 :(estimated):	Increases	1963 :(estimated)
1. Farm economics	\$3,175,254	\$3,312,200	+\$595,000(1)	\$3,907,200
2. Marketing economics	3,362,444	3,439,000	- -	3,439,000
3. Domestic and foreign economic analysis	2,459,756	2,658,800	+435,000(2)	3,093,800
Total available or estimate a/	8,997,454	9,410,000	+1,030,000	10,440,000
Transfer in 1962 estimates from:				
a. "Salaries and Expenses,				
Agricultural Research				
Service, Research"	-3,175,254	- -		
b. "Marketing Research and				
Service, Agricultural				
Marketing Service, Marketing				
Research and Agricultural				
Estimates"	-5,085,430	- -		
c. "Salaries and Expenses,				
Foreign Agricultural				
Service, Agricultural trade				
policy and analysis"	-736,770	- -		
Transfer in 1963 estimates from:				
"Salaries and Expenses,				
Farmers Home Administration"	- -	-50,000		
Total appropriation or estimate	- -	9,360,000		

a/ Represents obligations. Applied costs for 1961 are \$8,914,678. The difference of \$82,776 represents, primarily, orders for printing and equipment placed in 1961, over such services and equipment used in that year.

INCREASES

An increase of \$1,030,000 under the appropriation, "Salaries and expenses", consisting of the following:

(1) An increase of \$595,000 for farm economics research to provide:

(a) \$190,000 for expanding economic studies on rural development and economic problems in the civil defense program.

Need for Increase: Deep-seated economic problems are widespread in extensive rural areas in many regions of the country, and the nature and structure of rural communities are changing rapidly. The persistence of low incomes among large numbers of rural families requires increasing study of the changing rural community structure and the overall economic development potentials of these areas to reverse economic decline, including analysis of the resources of low-income rural families, how these resources are used, returns received, opportunities for adjustments for improving incomes both within and outside agriculture, and the potentials for economic development of rural areas.

Implementation of the Department's Rural Areas Development Program requires a thorough understanding of the relative effectiveness of various measures for guiding and evaluating programs. This requires an enlarged and continuing basic research program on broad development phases; on economic and institutional obstacles to development; and on specific local area identification and appraisals of potentials for development. Special emphasis is needed to initiate a long-term basic research program in the Appalachian Region.

Also needed is economic research work dealing with the many rural economic aspects of the civil defense program, including development of data and economic analyses on defense food distribution programs, food consumption, and other related economic problems.

Plan of Work: The expanded program of work would include:

1. Initiation of a special research program for the Appalachian Region, where rural employment and income problems are especially acute. A research staff centered in West Virginia would be established to carry out this program, in cooperation with the Land Grant institutions of the region. This staff would concentrate on economic analyses and studies in an intensive effort to deal with the almost overwhelming problems of rural adjustments and economic development in perhaps the most depressed rural region in the United States.
2. Additional research on alternative opportunities for resource adjustments in selected other low-income rural areas; evaluation and appraisal of effectiveness of selected rural development programs and other community efforts to solve the problems of changing rural communities; and

appraisals of potentials and alternatives for economic development under different situations.

3. A portion of this increase--about \$20,000--would be used to continue economic research needed to carry out the national defense mobilization and defense readiness planning programs of the Department.

(b) \$280,000 for strengthening economic analysis of land and water conservation and development.

Need for Increase: Increased nationwide emphasis on water and land resource development and conservation requires expanded economic research. How we conserve, develop, and manage these natural resources has an important effect on our economic growth, on the strength of our Nation, and on our long-run status in world affairs. Land use is in rapid change due to urbanization, highway construction, shifts in demand for agricultural products, and the effect of technological developments. Serious water management and use problems are occurring as our population grows and our economy expands. Many imbalances now exist in major land uses and in water supplies and needs; and conflicts between agricultural and other uses of water are already developing.

Economic information is necessary on the nature and magnitudes of current and prospective substitution among land, water, and other inputs and their relative costs; and the changes in land and water use patterns resulting from population increase, shifts in demand, and alternative resource development and management programs and policies. Changing economic forces will also impose strains on the economic institutions and the legal structure through which natural resources are allocated, developed, and otherwise controlled. It is imperative, therefore, that provision be made for expanded and continuous economic analysis of these resource development and management problems, particularly for water, and for appraising future requirements and potentials.

Plan of Work: The expanded research program would (1) provide better information on the present and future uses and productivity of land and water resources in different regions and nationally; (2) evaluate the economic potential of the Nation's river basin resources in relation to long-run national growth and requirements; (3) appraise the competition among farm and nonfarm uses of land and water; (4) appraise the economic implications of proposed resource development and management programs; and (5) evaluate alternative tenure, water rights, taxation, credit, zoning, and other institutional arrangements in relation to their effect on land and water use. The expanded work program would be carried out by direct research and by cooperative studies with State institutions.

(c) \$125,000 for intensifying research on the economics of farm size and prospective number of farms under alternative conditions.

Need for Increase: Rapid and continuing changes in farm technology, as well as prices, costs and other influences, are notably altering the prevailing and prospective size of operations in farming. The rapid decline in the number of farms and the steady increase in sizes of farms in recent years have raised questions about the future of family farming in this country

and the number of people who can earn a satisfactory living in farming. The 1959 Census reports about 1 million fewer farms than in 1954. Nearly all of the reduction was in farms with sales of farm products less than \$2,500. But during the last 5 years, the number of commercial farms with value of sales of \$10,000 and over increased 36 percent, whereas the number with sales of \$2,500 to \$5,000 decreased 24 percent.

Farm consolidation has been proceeding rapidly in many areas. Mechanization has increased the investment and acreage requirements for efficient low cost production, and has encouraged farmers to acquire additional land in an effort to spread overhead to increase returns. This has accelerated the rise in land values and greatly increased the investment needed in farming.

These changes raise extremely significant questions about the future of farm people that can be answered only by expanded economic research on the problems: Can the family farm survive as the predominant business unit in American farming? What level of costs and returns is associated with different sizes of farms in each major farming area? Can farmers on family size farms attain operating efficiencies and incomes that will enable them to compete with larger scale operations?

The best obtainable answers to such questions as these will be extremely important to farm people and agricultural policy in the years ahead. Only limited research has been possible on these problems, with a small increase in effort in fiscal 1962. Research on additional types of farming and size situations is necessary.

Plan of Work: The expanded program of research would include: (1) intensive economic studies to determine the size of farm in selected farming areas that is needed to achieve economical operation and adequate family farm incomes with modern methods under prospective conditions; (2) analyses of the effects of alternative farm programs on adjustment toward efficient and profitable sizes of farms in principal farming areas; (3) development of estimates of the probable number of farms of different sizes under alternative future economic and other conditions; and (4) continuous appraisal of the future prospects for family farming.

(2) An increase of \$435,000 for domestic and foreign economic analysis consisting of:

(a) An increase of \$185,000 to expand domestic agricultural economic and statistical analysis.

Need for Increase: The American farmer needs every possible tool to help him in his fight to gain at least an even break in the market place. He looks to the Department for timely current information on markets, prices and commodities. The outlook and situation reports need improvement to increase the ability of farmers to make their own production and marketing adjustments in relation to changes in their economic prospects.

The development of effective farm programs requires that alternative proposals be evaluated in terms of their impact on farm output, farm prices and incomes, on food consumption, and on farm income. This in turn must be based on an accurate and comprehensive knowledge of the

interrelationships between prices, demand and supply of the principal agricultural commodities, as well as long-run trends which are affecting the economic position of the farmer. Included also in these influences is the impact of civil defense readiness measures to assure agricultural stability in a national emergency.

Plan of Work: The increase provides for strengthening those economic research programs which are basic to the agricultural outlook, to program analysis, and to economic projections. It will emphasize research on factors affecting the demand for, and the supply and price of, principal agricultural commodities, and also on some of the broad interrelationships between farm and nonfarm income and purchasing power. The work contemplates some revisions in statistical series to improve current accuracy and comparability with earlier series.

(b) An increase of \$250,000 to expand foreign economic development research and analyses of conditions affecting supply, demand, and trade in U. S. farm products in foreign countries.

Need for Increase: Additional opportunities for expanding exports of U. S. farm products exist abroad, and we must find them. The proposed research is urgently needed to help locate these potential markets, to maintain and expand existing markets, to initiate special programs, and to evaluate on-going programs as a basis for further improvement. More basic economic data on supply and demand conditions in about 100 foreign countries must be developed to permit continued expansion of exports of this Nation's farm products.

Essential to and underlying this analytical work are much needed comprehensive analyses of the effects of P. L. 480 and related farm export programs, the common market and other regional arrangements, and foreign economic development programs, on market outlets for U. S. farm products. The research would include analysis of possible alternative food aid programs, their effects on economic development and on resulting markets for U. S. farm products.

Plan of Work: The proposed research would include analysis of the effects of foreign government programs, including price and income support programs, on supply of farm products for consumption and export; also the effects of changes in farming practices, and other forces operating on farm cost-price relationships and agricultural productivity. On the demand side the research would develop analyses of food supply levels and consumption patterns within countries, consumer needs, wants and preferences, and expenditures on food and fiber as related to changes in prices and incomes. These analyses would extend and strengthen the work by country on the world food budget and appraisal of the current and prospective outlook for U. S. agricultural exports.

The increase would also permit some urgently needed analysis and appraisal of the: (1) effects of P. L. 480 and other export programs on U. S. farm exports, foreign trade patterns, and economic growth of foreign countries; (2) effects of farm export programs on domestic farm price and production programs; (3) effects of the common market and other regional arrangements on the pattern of trade and the imports of agricultural products; (4) role of agriculture in economic development, particularly from the standpoint of its longer term implications for U. S. agricultural exports; and (5) effects of price,

production, and marketing programs and policies of foreign countries on economic development and trade patterns for agricultural products.

This work would begin to extend our knowledge of prospective markets in 100 foreign countries in the same way that economic intelligence has been developed for the domestic economy. It would provide the types of information required to maintain and expand our agricultural exports. It would supply guidance on effective use of excess food production capacity for achievement of economic development abroad that eventually would result in larger dollar markets for U. S. farm products. In this way it would supply some of the facts needed for intelligent public and private policy decisions on adjusting U. S. production to prospective outlets for farm products.

STATUS OF PROGRAM

The economic research programs under this appropriation are directed toward finding answers to current and emerging problems of agricultural production, marketing and distribution. The work is divided into three financial projects. Current activities, progress, and trends are presented below on the basis of these financial projects.

I. FARM ECONOMICS RESEARCH

Current Activities and Trends: Farm economics research deals with many and varied economic problems of agricultural production. The work is concerned with the economics of organization and management of farms, extent and utilization of land and water resources, use of capital and labor in agriculture, production and conservation practices, adjustments in production and resource use, development of depressed rural areas, farm financial problems of credit, insurance, and taxation, and appraisal of alternative production policies and programs.

Rapid technological change in agriculture and the tendency for farm production to outstrip growing demands for products gives rise to continued need for economic adjustments in our farm economy. Farms are decreasing in number and increasing in size and degree of specialization. Farm machinery, fertilizers, and other innovations, are substituting for land and labor. These trends, along with continued concern over the use and conservation of the Nation's land and water resources, and with growing concern over the problems of rural people, especially those in chronically depressed areas, challenge the most rigorous research in the field of farm economics. Results of farm economics research are used widely as aids in management decisions at the farm, area, regional, state, river basin, and national levels.

The Department's program of research and related statistical reporting in farm economics is conducted from headquarters in Washington, D. C., and is concerned chiefly with problems of regional and national scope. Field studies generally are conducted in cooperation with state experiment stations. When studies are made jointly by Federal and State workers, Federal people usually are most interested in regional and national applications of results, while state workers are most often interested in local applications. Close working relationships between Federal and State agencies have long been traditional in this field.

Selected examples of recent progress:

1. Farm productivity. Total farm output in 1961 is equal to the record output of 1960 and 27 percent above the 1947-49 average. Livestock production in 1961 is at an all-time high. The number of animal breeding units was slightly greater than in 1960, but otherwise at the lowest level since 1941. Livestock production per animal unit continued the upward trend of the 1950's, attaining a new peak. Crop production in 1961 is at the lowest level in four years, owing chiefly to the reduced production of feed and food grains. The total acreage of cropland used for crops was the smallest since 1912, but the most productive per acre of record.

Labor used on farms reached a new low of 10.1 billion man-hours in 1961. Less than half as much labor is now used on farms as was needed 50 years ago. Farm output per man-hour in 1961 is over 2 percent higher than in 1960, and 90 percent higher than in 1950.

Overall productivity of agriculture in 1961 is equal to the all-time high of 1960, 25 percent above the 1947-49 average. Total farm output and total inputs used in agriculture, as measured by the new index released this year for the first time, remained the same as for 1960 (fig. 1). The proportion of total inputs that are purchased increased considerably from 1947-49 to 1960. Purchased inputs accounted for 65 percent of total inputs used in agriculture in 1960 compared with 54 percent in 1947-49.

2. Farm debt increase slowed. Farm debt continued to increase in 1961 but in both 1960 and 1961 the rate of increase was lower than in the preceding two years (fig. 2). A weakened market for farmland, reduced expenditures for farm machinery, and lower prices of livestock are chiefly responsible for the lower rate of increase in farm debt during the last two years.

Farm debts are expected to total about \$27.2 billion on January 1, 1962, up \$1.8 billion or about 7 percent from a year earlier. This total includes \$1.7 billion of price-support loans owed to the Commodity Credit Corporation. At this level, farm debts will be equal to nearly 13 percent of the value of farm assets, compared with about 19 percent in 1940 and a low of 7.5 percent in 1947.

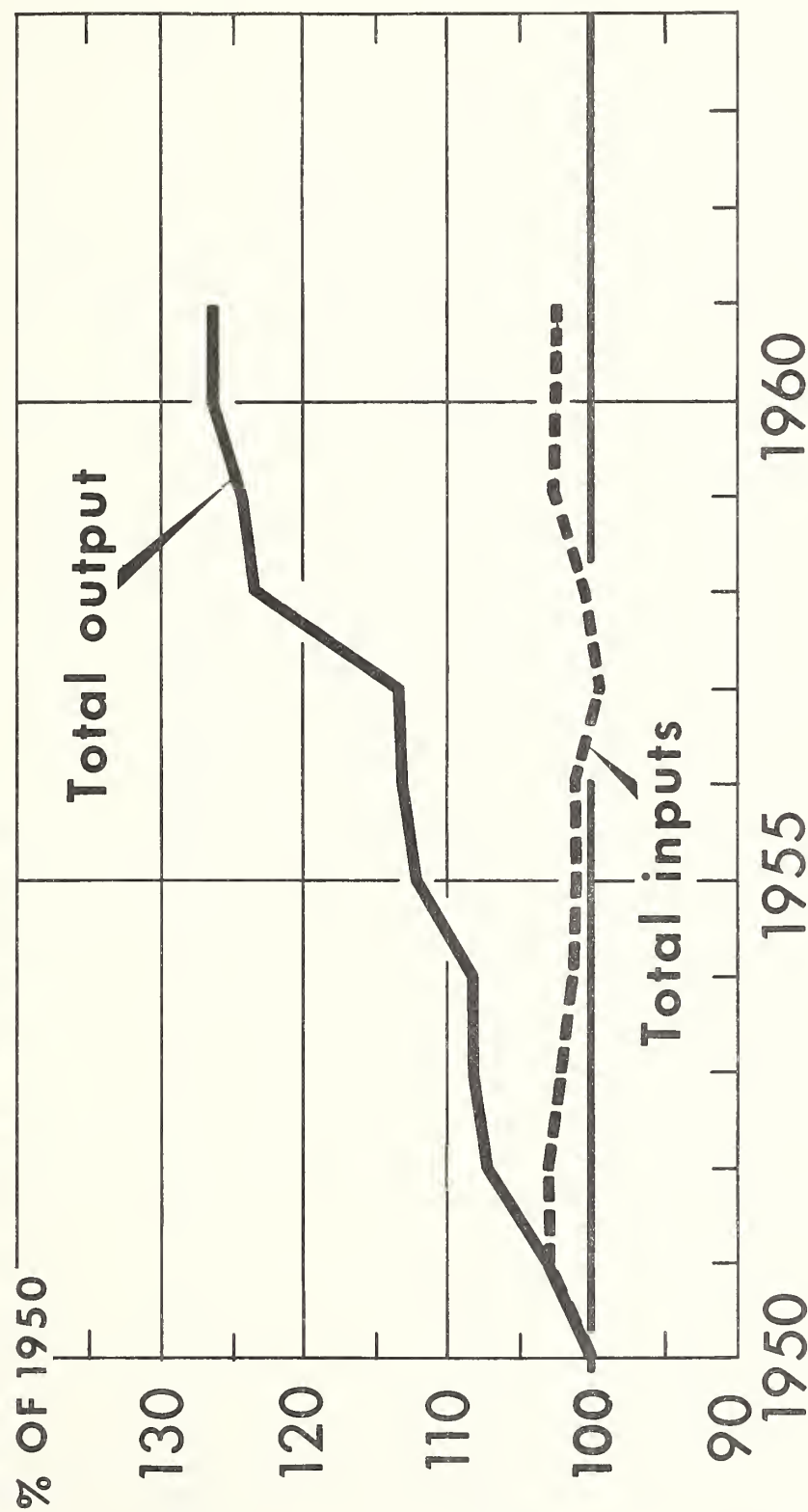
Foreclosures of farm mortgages remain near a record low. Farm-mortgage loans in process of foreclosure by life insurance companies and the Farmers Home Administration at the end of September 1961 involved only about one-tenth of 1 percent of the principal of the mortgages held by these lenders; and experience indicates that many of the foreclosure proceedings started will not be completed.

In recent years about \$1.5 billion of credit has been used annually to finance transfers of farms. About half of this credit has been extended by the sellers of farms; about \$500 million has been extended by lending institutions; and the remainder was extended by other sources. Credit extended by sellers averaged about 71 percent of the purchase price of the farms transferred, compared with about 55 percent for the credit extended by lending institutions.

3. Variation in net farm incomes among types of farms. Net farm incomes averaged higher in 1960 than in 1959 on 16 of 34 types of commercial farms for which annual estimates are prepared. In 1959, net farm incomes were higher than a year earlier on only 4 of the farm types (table 1). In 1960, net farm incomes on 15 types of farms were within 10 percent above or below the 1950-59 average. Incomes on 13 types of farms were more than 10 percent above and 6 types of farms had incomes more than 10 percent below the 10-year average.

Higher crop yields per acre in 1960 compared with 1959 contributed to increases in incomes on 14 types of farms, and lower yields contributed to decreases in incomes of 15 types of farms. Lower prices received for products sold contributed to decreases in incomes on 9 types of farms, and higher prices contributed to increases in incomes on 7 types of farms. Other

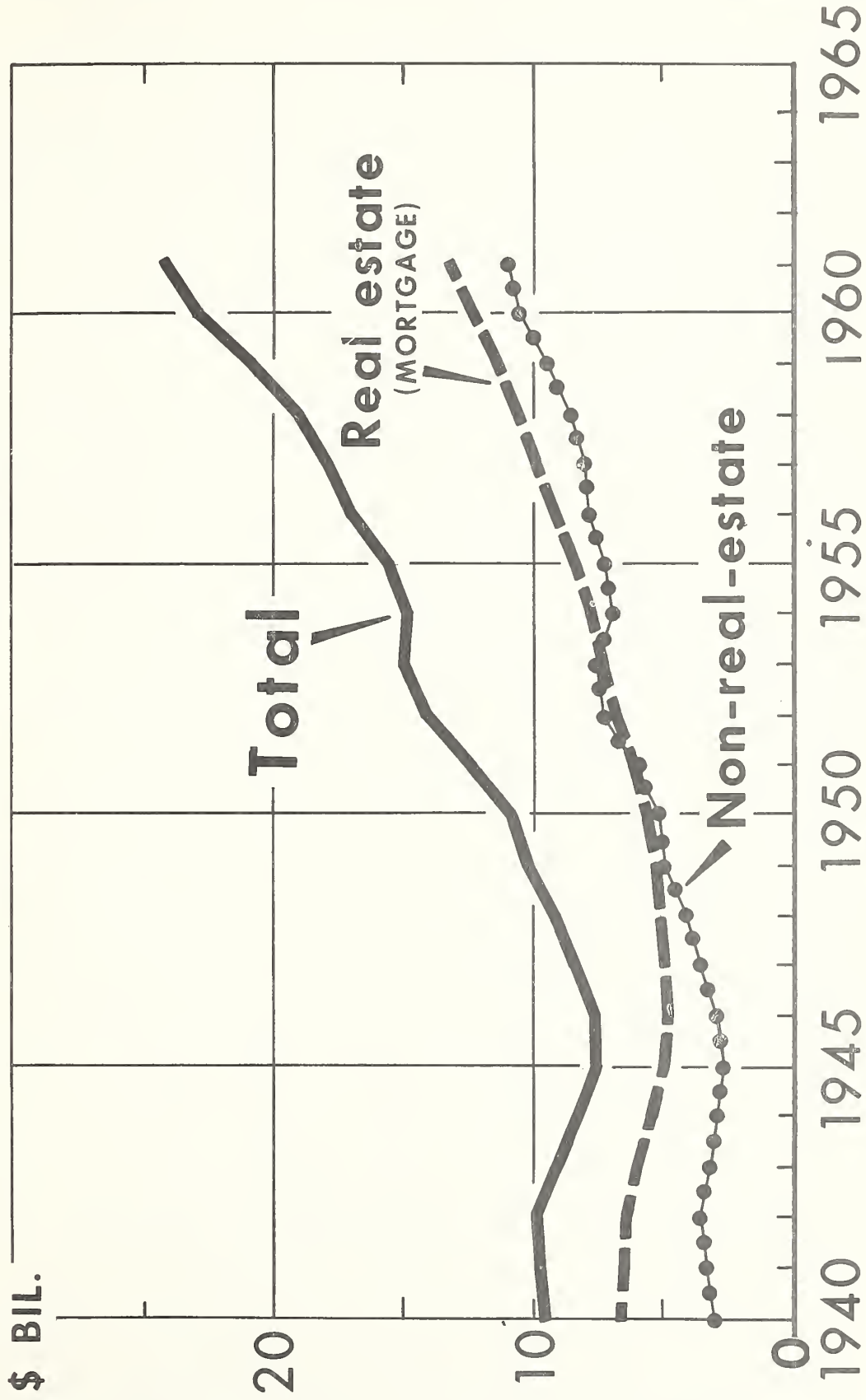
Total Farm Output Rises; Inputs Relatively Stable



1961 DATA PRELIMINARY

FIG. 1

FARM DEBT*



*EXCLUDING CCC LOANS

Table 1.--Net farm income, specified types of commercial farms, 1960, with comparisons

TYPE AND LOCATION OF FARM	AVERAGE				1959	1960		
	Dollars	Dollars	Dollars	Dollars		1960 1/	1961 3/	
	1947-49	1950-59						
Dairy farms:								
Central Northeast-----	3,815	3,898	Dollars	Dollars	4,236	4,061	4,242	
Eastern Wisconsin-----	2,929	2,745			3,119	3,090		
Western Wisconsin-----	2,810	3,104			3,414	3,418		
Dairy-hog farms, southeastern Minnesota-----	3,934	3,886			3,632	3,858		
Corn Belt farms: 2/								
Hog-dairy-----	5,386	5,226			4,814	4,616	5,820	
Hog-beef raising-----	3,598	3,611			3,104	2,967		
Hog-beef fattening-----	10,343	7,737			6,591	5,422		
Cash grain-----	8,802	7,923			5,698	6,780		
Poultry farms, New Jersey (egg-producing)-----	5,950	2,699			-1,355	4,462	3,203	
Cotton farms:								
Southern Piedmont 2/-----	1,573	1,992			2,078	1,847		
Texas:								
Black Prairie-----	3,089	2,461			2,332	2,225	2,507	
High Plains (nonirrigated)-----	6,402	4,646			6,961	8,072		
High Plains (irrigated)-----	10,761	12,167			13,291	14,844		
Mississippi Delta:								
Small-----	1,923	1,838			1,996	1,759		
Large-scale-----	20,465	22,247			27,151	23,774		
Peanut-cotton farms, Southern Coastal Plains-----	2,313	2,642			2,428	3,222		
Tobacco farms:								
North Carolina Coastal Plain:								
Tobacco-cotton-----	3,208	3,323			2,624	3,491	3,703	
Tobacco-cotton (large)-----	3,923	4,204			3,419	4,718		
Tobacco (small)-----	2,354	2,655			2,256	3,010		

- Continued

Table 1.--Net farm income, specified types of commercial farms, 1960, with comparisons-- Con't.

TYPE AND LOCATION OF FARM	AVERAGE				1959	1960		1961 3/
	:					:		
	1947-49	1950-59				1960 1/		
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
Kentucky Bluegrass:								
Tobacco-livestock, inner area-----	5,864	5,708	5,228	5,494				
Tobacco-dairy, intermediate area-----	2,390	2,402	2,535	2,492				
Tobacco-dairy, outer area-----	3,599	4,033	4,432	4,582				
Spring wheat farms:								
Northern Plains:								
Wheat-small grain-livestock-----	6,143	4,818	2,807	4,389			1,419	
Wheat-corn-livestock-----	5,869	4,239	2,343	5,528				
Wheat-roughage-livestock-----	5,160	3,741	1,468	5,628				
Winter wheat farms:								
Southern Plains:								
Wheat-----	9,808	7,987	7,777	10,498			10,861	
Wheat-grain sorghum-----	9,162	4,967	10,281	12,146				
Pacific Northwest:								
Wheat-pea-----	11,961	13,286	15,940	11,020				
Wheat-fallow-----	13,468	12,518	12,468	9,643				
Cattle ranches:								
Northern Plains 2/-----	6,268	5,015	5,162	4,980				
Intermountain region-----	8,636	8,884	12,547	9,573			8,950	
Southwest 2/-----	5,603	4,399	8,403	7,091				
Sheep ranches:								
Northern Plains 2/-----	6,765	8,808	8,065	8,031				
Southwest 2/-----	5,199	5,606	10,750	10,121				

1/ Preliminary.

2/ Revised.

3/ Tentative - Selected types (Oct. 1961).

* Net farm income is the return available to unpaid operator and family labor and for interest on total farm investment.

important factors contributing to increases in net farm incomes were increases in size of farms, acreages of crops harvested, and production of livestock. Although higher prices paid for goods and services used in production were important factors in reducing net farm incomes in 1960 on some types of farms, they were not an important factor on most types of farms. On 28 of the 34 types of farms, the change in prices paid was not more than 2 percent. Operating expense per unit of production averaged higher in 1960 than in 1959 on 18 of the 34 types of farms primarily because of a combination of somewhat higher prices paid for goods and services used in production and slightly lower per acre crop yields.

4. Farm real estate values at record high. Further small increases in values in more than half the States in the 4 months ended July 1, 1961, raised the national index to 177 (1947-49=100), 2 percent above a year earlier and a record high. The total dollar value of farmland and buildings was \$138.4 billion (\$123.57 per acre) on July 1, 1961, \$3.3 billion more than a year earlier. Divergent trends in market prices have developed in the last 18 months, however, and the rate of increase has slowed perceptibly. Values in the Corn Belt remain 2 or 3 percent below mid-1960 despite some firming in recent months (fig. 3). Elsewhere, the annual rate of increase of 2 or 3 percent is less than half the rate that had prevailed from 1955 through 1959. The rise in market values in this period when farm income did not change much has reduced the rate of return, estimated at 3.3 percent for 1960, to the lowest level since the early 1930's. A steadily increasing proportion of all farm transfers have been for the purpose of enlarging existing farms.

5. Taxes continue up. Farm real estate taxes in the United States (48 States) totaled \$1,284 million in 1960, an increase of \$96.5 million, or 8.1 percent, above the amount levied in 1959. (fig. 4) This rise extends an up-trend that has been uninterrupted since 1942. Levies in 1960 totaled more than three times those of 1942. Preliminary reports show another 6 percent rise in 1961 levies.

In 1960, real estate taxes absorbed 9 percent of the total net farm income before deduction of real estate taxes and net rent paid to nonfarm landlords. In 1952-54, the proportion was 5.3 percent; in 1947-49, 3.9 percent; and in 1937-41, 6.8 percent. Although taxes, as a percentage of net income, are higher today than in any of these periods, they are still far below the levels of the early 1930's when they reached an all-time high of 18 percent of net farm income.

6. Tax problems in rural-urban fringe. In 1960, taxes levied on farm real estate located in Standard Metropolitan Statistical Areas averaged more than double the taxes on farms located in counties immediately adjacent to metropolitan areas and about 5 times higher than in rural counties some distance from metropolitan centers. About 20 percent of total farm real estate levies in the United States were in metropolitan areas.

To meet the problem of rising farm taxes in rural-urban fringe areas, a number of States are considering or have enacted legislation to require that land used in agriculture be assessed without regard to its value for possible nonfarm use. Evaluation of the effects of such laws indicate that they produce substantial tax savings for individual property owners, but that they are not effective in preserving agriculture unless coupled with some form of land use control. Serious administrative problems have been encountered also.

Research into problems of governmental organization and finance in rural areas around growing cities suggests that the interests of agriculture and rural people may best be protected by forms of metropolitan government that allow expression of the rural viewpoint in decisions of areawide significance, such as water supply, sewage disposal, stream pollution, zoning and regional planning.

7. Trends in cropland and pasture acreages. The national land use inventory for 1960 shows that the cropland acreage, exclusive of cropland used only for pasture, dropped from 409 to 391 million acres, or 4 percent, from 1950 through 1959, and is now at the lowest point since 1910. The acreage of cropland harvested declined still more, dropping by 7 percent. Cropland acreage reached a peak in 1920 to 1930 with 413 million acres. There was a decline of 14 million acres in the late 1930's with regain of 10 million acres in the 1940 war and postwar years.

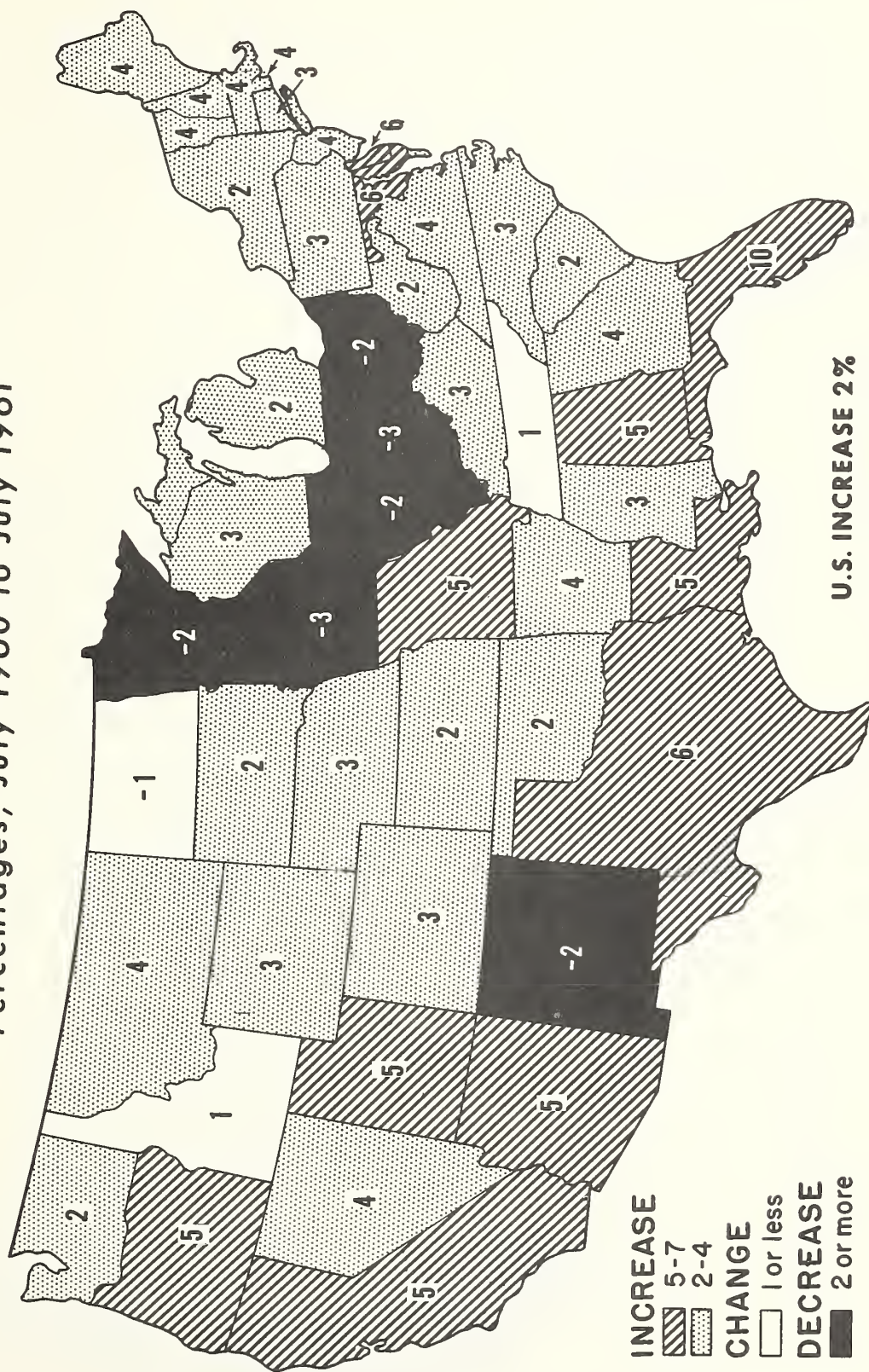
Grassland pasture and range acreage, including both land in farms and not in farms, was 10 million acres lower in 1959 than in 1930. Much of this change in cropland, pasture and range was by reversion to forest in the forest regions, and by absorption by nonagricultural uses. A considerable amount of interchange between cropland and pasture has occurred in the good land areas, where the conservation, crop allotment, and soil bank programs have been instrumental in effecting shifts. The accompanying chart (fig. 5), summarizes data on trends in major land uses from 1900 to 1959.

8. Economic aspects of corn harvesting systems. To the Corn Belt farmer, the choice of a harvesting-drying system for corn depends mainly on his volume and whether he sells the corn or feeds it. With normal Corn Belt weather and current costs, a cash-grain farmer producing 5,000 to 6,000 bushels of corn annually can well consider field shelling and artificial drying with natural air plus supplemental heat as an alternative to the conventional system (harvesting ear corn with a mechanical picker and storing in a standard crib). Heated-air drying of shelled corn may be economically feasible for cash-grain farmers producing 12,000 to 15,000 bushels or more annually. Livestock producers who feed most of their corn are likely to find field shelling and the storage of high-moisture shelled corn to be the most economic system at levels of about 5,000 bushels and higher. The exact volumes at which these different systems become profitable will vary somewhat depending on individual farm conditions. This research provides guidelines and data that any Midwest corn producer can use to help make a proper decision for his own situation.

9. Value of water for irrigation in Colorado. One method tested for determining economic values of water involved study of the arrangements and prices for "rental" or transfer of water dividends from one farmer to another for a single season, where deliveries depend on the amount of stock held in mutual irrigation companies, which in turn hold all basic water rights. In one company's service area rental prices averaged \$3.35 per acre-foot and ranged from \$2.50 per acre-foot early in the 1959 irrigation season to \$4.20 at the close of the season. A second method tested in the same service area involved the use of statistical regression techniques to explain how the selling prices of farms vary with the number of shares of irrigation company stock transferred with land and buildings. For 44 farm sales made between 1954 and 1960, each acre of farmland added \$28 to the selling price;

CHANGE IN DOLLAR VALUE OF FARMLAND

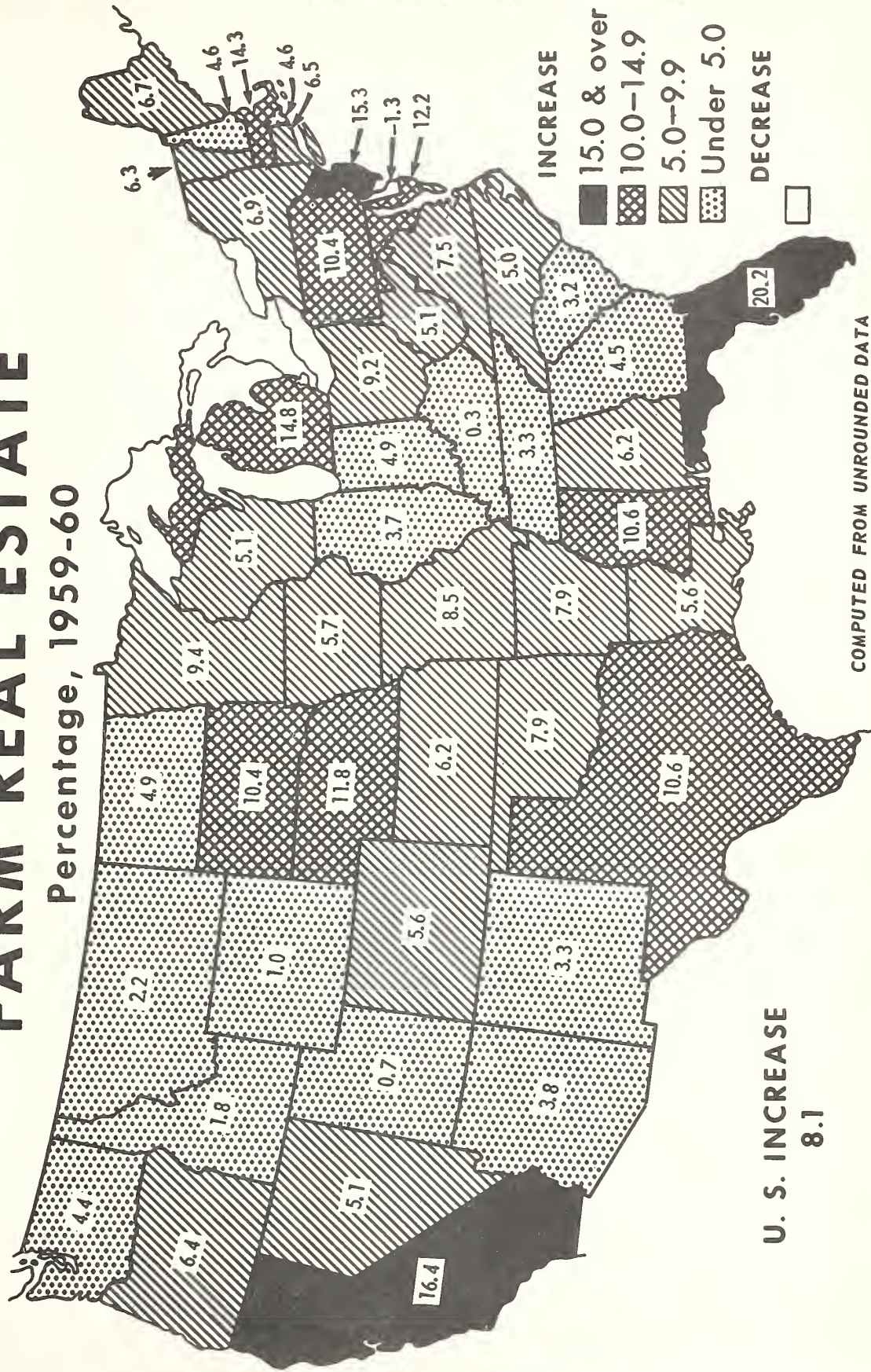
Percentages, July 1960 to July 1961



BASED ON INDEX NUMBERS OF VALUE PER ACRE, INCLUDING IMPROVEMENTS

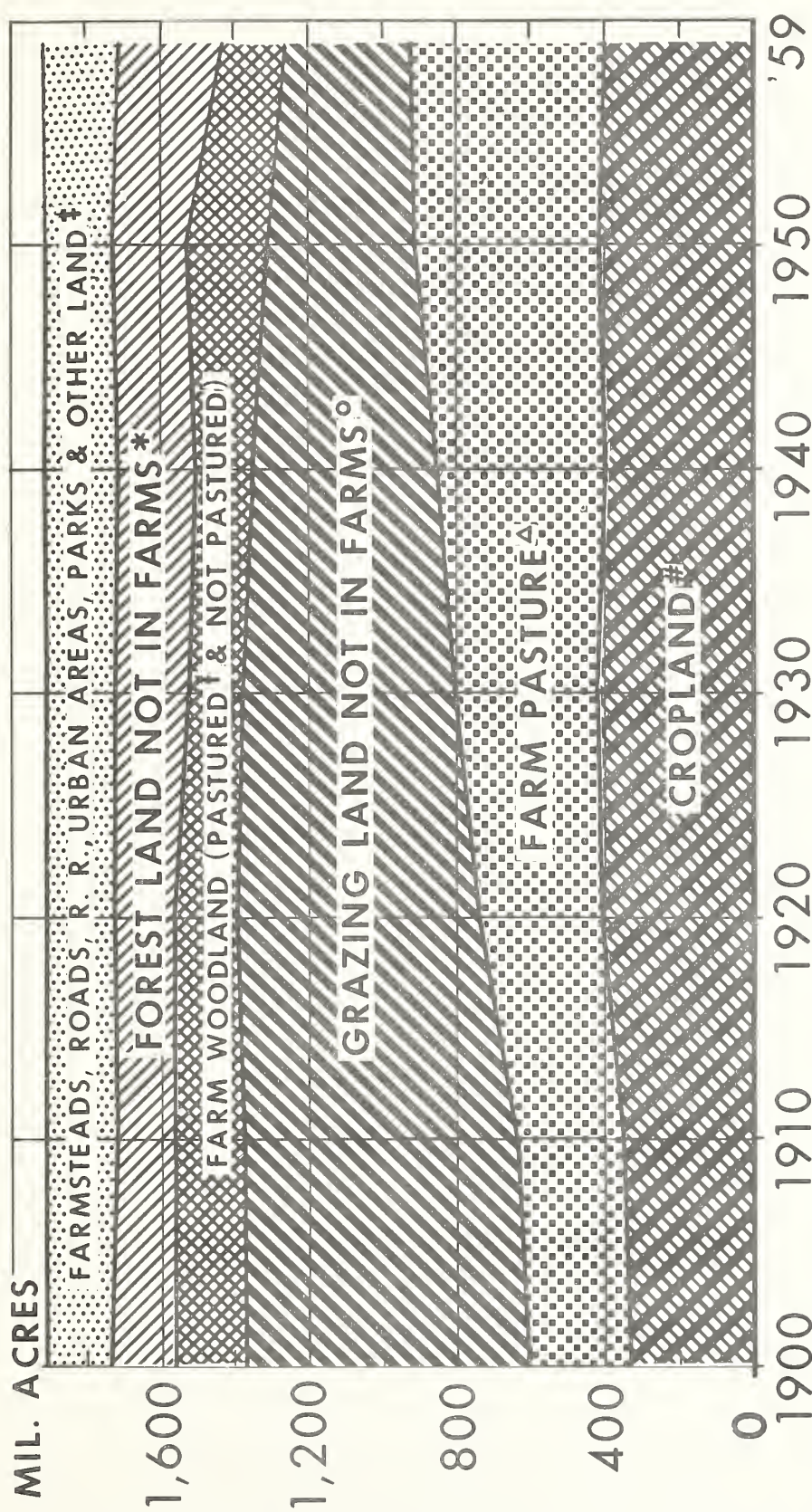
CHANGES IN TAXES LEVIED ON FARM REAL ESTATE

Percentage, 1959-60



U. S. INCREASE
8.1

THE TREND IN LAND UTILIZATION



48 STATES. ALASKA AND HAWAII NOT INCLUDED.

† URBAN AND BUILT UP AND OTHER SPECIAL USES INCREASED FROM ONE-THIRD OF THE NONAGRICULTURAL LAND IN 1900 TO 60 PERCENT IN 1959. * EXCLUDES RESERVED FOREST AREAS, ARID WOODLAND, AND FOREST LAND USED FOR GRAZING.

‡ 92 MILLION ACRES WERE PASTURED IN 1959. ° INCLUDES GRASSLAND, ARID WOODLAND, AND FOREST LAND GRAZED.

▲ FARM GRASSLAND PASTURE, AND CROPLAND USED ONLY FOR PASTURE. # INCLUDES SOIL-IMPROVEMENT CROPS, SUMMER FALLOW, AND NEWLY SEEDED CROPS. CROP LAND ACRES ARE FOR YEAR PRECEDING DATE OF CENSUS EXCEPT FOR 1959.

and each share of water stock added from \$106 to \$198 to the selling price. Water delivery records indicate that these water stock values are equivalent to an average irrigation water value of about \$3.12 per acre-foot, which is close to the estimate of \$3.35 based on seasonal rental prices.

10. Rural development problem areas. The relative economic status of counties (fig. 6) was prepared as a guide in selecting areas to include in the Department's Rural Areas Development Program. The greatest concentrations of "serious problem" counties are in the Southeast, particularly in the Appalachian and Ozark Mountains, the Coastal Plains, and the Mississippi Delta States. Smaller areas include the Southern Border of the Corn Belt, the Cutover areas of the Lake States, and Spanish-American and Indian settlements in the Southwest.

11. Larger farms for low-income areas. Studies of economic development aspects of the low-income farm problem reveal that in the past entry into farming in the low-income farm areas has been relatively easy because of the small scale of farm operations with relatively low capital requirements. However, as a result of recent technological advances that greatly increase income possibilities on large farms in low-income areas, a considerable amount of commercial agriculture appears to be developing in these low-income areas, with capital requirements, value of output, and income per farm becoming more like that in the rest of the Nation.

12. Part-time farming in low-production farm areas. Analysis of part-time farming in several low-production farm areas reveals a wide variation in size and organization of enterprises. The part-time farm venture is usually a money loser from the net money income standpoint. However, non-cash income, including value of products used in the home, rental value of the dwelling, and land appreciation value add considerably to total farm income, or from about \$1,000 to \$1,400 per farm. Part-time farming apparently is primarily an adjustment out of or away from full-time agriculture. The goal is usually a full-time off-farm job. As operated currently, the farm enterprise on part-time farms does not offer much opportunity to raise net money incomes in low-production farm areas. However, analysis shows that better overall management can result in fair labor returns for the limited resources used. In all instances off-farm employment was a better alternative from the standpoint of labor earnings.

II. MARKETING ECONOMICS RESEARCH

Current Activities and Trends: Research in Marketing Economics embraces all aspects of economics in marketing farm products from the time they leave the farm until they are purchased by ultimate consumers. The research includes such things as farmers' bargaining power; the economics of product quality and grade; market potentials for new products and new uses; market structure and practices; marketing costs and margins; economic effects of special programs such as school lunch, special milk, food stamp and direct distribution; and the effectiveness of merchandising and promotion in increasing the demand for farm products.

Marketing economics deals with the 75 percent or so of the consumer's dollar spent for food, natural fiber, tobacco, and industrial products derived from

domestic farming. It also deals with economic aspects of the competition from fish and imported foods, synthetic fibers, and other chemical and industrial materials of nonfarm origin in traditional agricultural markets.

Consumer expenditures for domestically-produced food and food services in the United States total about 60 billion dollars annually (fig. 7). The equivalent value of farm products in nonfood uses is estimated at an additional 30 billion. Three fourths of these values are added in marketing--in transporting, storing, packing, handling, risk taking, processing, and distributing (fig. 8).

The research is carried out by the U. S. Department of Agriculture; by the State Agricultural Experiment Stations; and by processors and distributors of agricultural products, transportation agencies, and, to a limited extent, by associations of farmers and other groups.

Selected examples of recent progress:

1. Farm product marketing costs continue upward. Farm-retail spreads for food products continue to rise in 1961 which caused a further rise in retail food prices. The spread between the retail cost and farm value of a family market basket of farm food products rose from \$644 in 1960 to \$660 (preliminary estimate) in 1961 (fig. 9). The retail-store cost of the market basket foods rose from \$1,052 to \$1,065; the farm value declined slightly--from \$408 to \$405. The rise in the marketing spread reduced the farmer's share from 39 cents in 1960 to 38 cents in 1961.

Higher labor costs were the principal factor in the rising marketing spread. Hourly earnings of food marketing workers averaged about 4 percent but increased efficiency in marketing operations likely kept the rise in actual labor costs to less than half of the rise in hourly earnings (fig. 10). Transportation costs, costs of supplies and other items, and profit ratios were generally unchanged from 1960 to 1961. Interest charges and taxes were higher.

2. Dissemination of research findings on price spreads. The Department published two reports designed to better inform the nonfarm part of our population on changes in retail food prices in recent years and factors associated with these changes. These reports showed that retail food prices have increased less than consumer prices in general and that all of the increase has been caused by higher marketing costs. Farm prices of food have declined.

The research results given in these reports were based on the findings of special studies of price spreads made in recent years. Misc. Pub. 856 Food Costs, used charts and text to present the facts on changes in food prices while Marketing Bulletin 18 Food is a Bargain, used pictorials to a wider audience, with emphasis on consumers (fig. 11). The agricultural trade press and others have commended these reports as valuable aids in improving public understanding of agriculture.

3. Economic aspects of marketing cotton evaluated. Research in the economics of marketing cotton is primarily concerned with three closely related types of studies: (1) Economic evaluation of cotton quality; (2) efficiency of cotton ginning, and (3) methods of pricing cotton. The principal results of these studies that became available during the year are:

RELATIVE ECONOMIC STATUS OF COUNTIES, 1960*

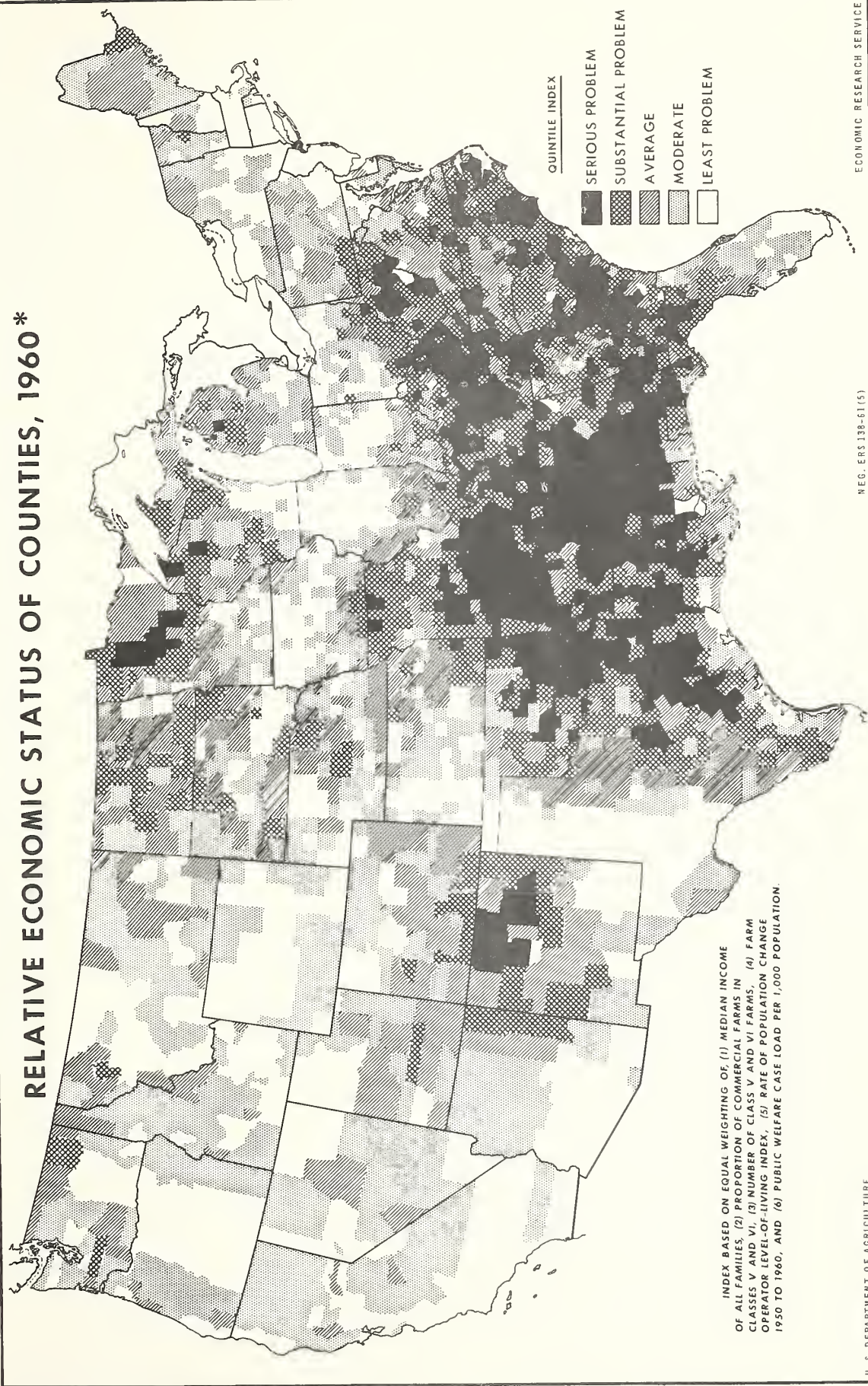
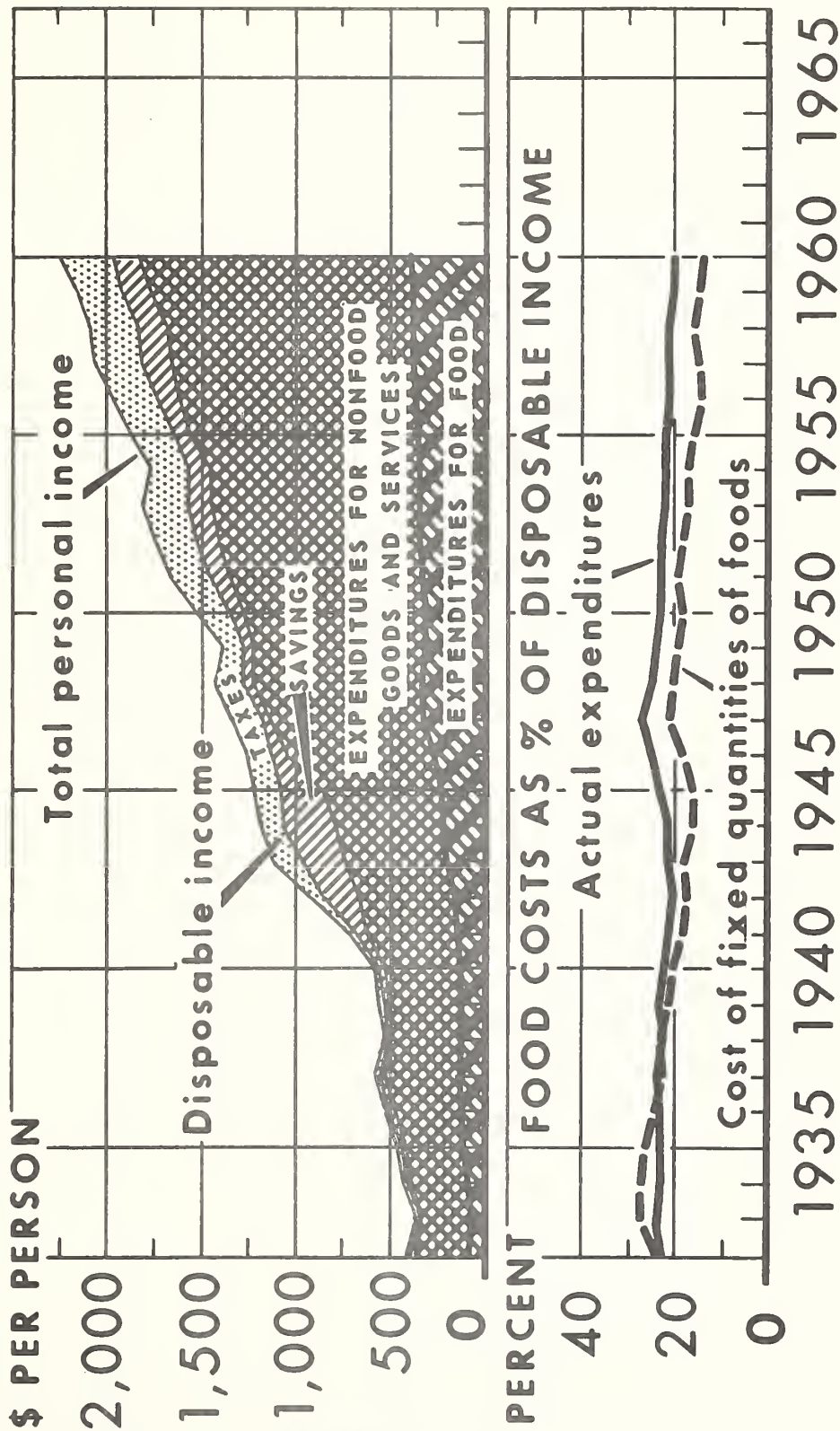


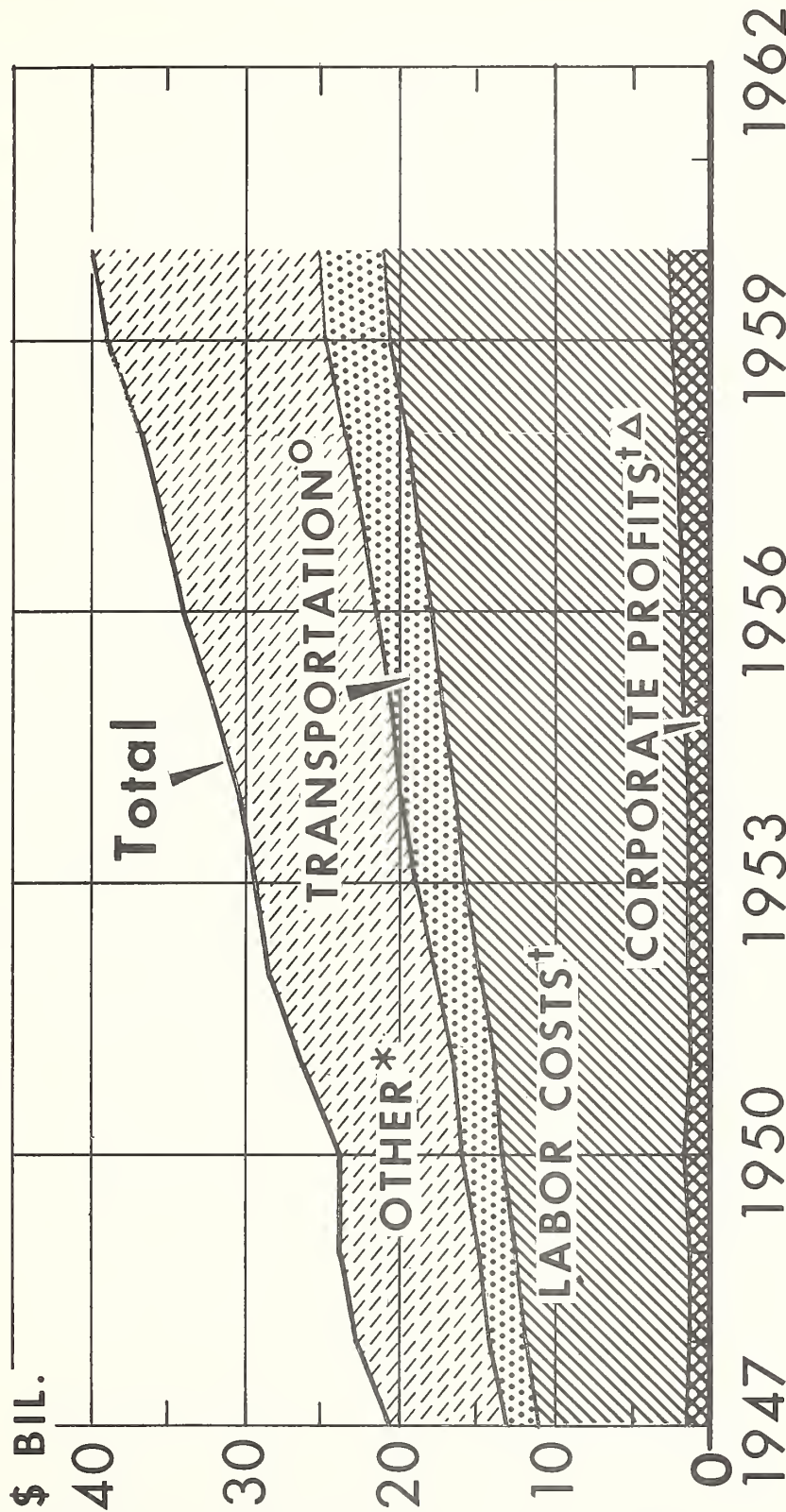
FIG. 6

FOOD COSTS & CONSUMER INCOMES



1960 PRELIMINARY

TOTAL FARM FOOD MARKETING BILL



FOR DOMESTIC FARM FOODS BOUGHT BY U. S. CIVILIAN CONSUMERS

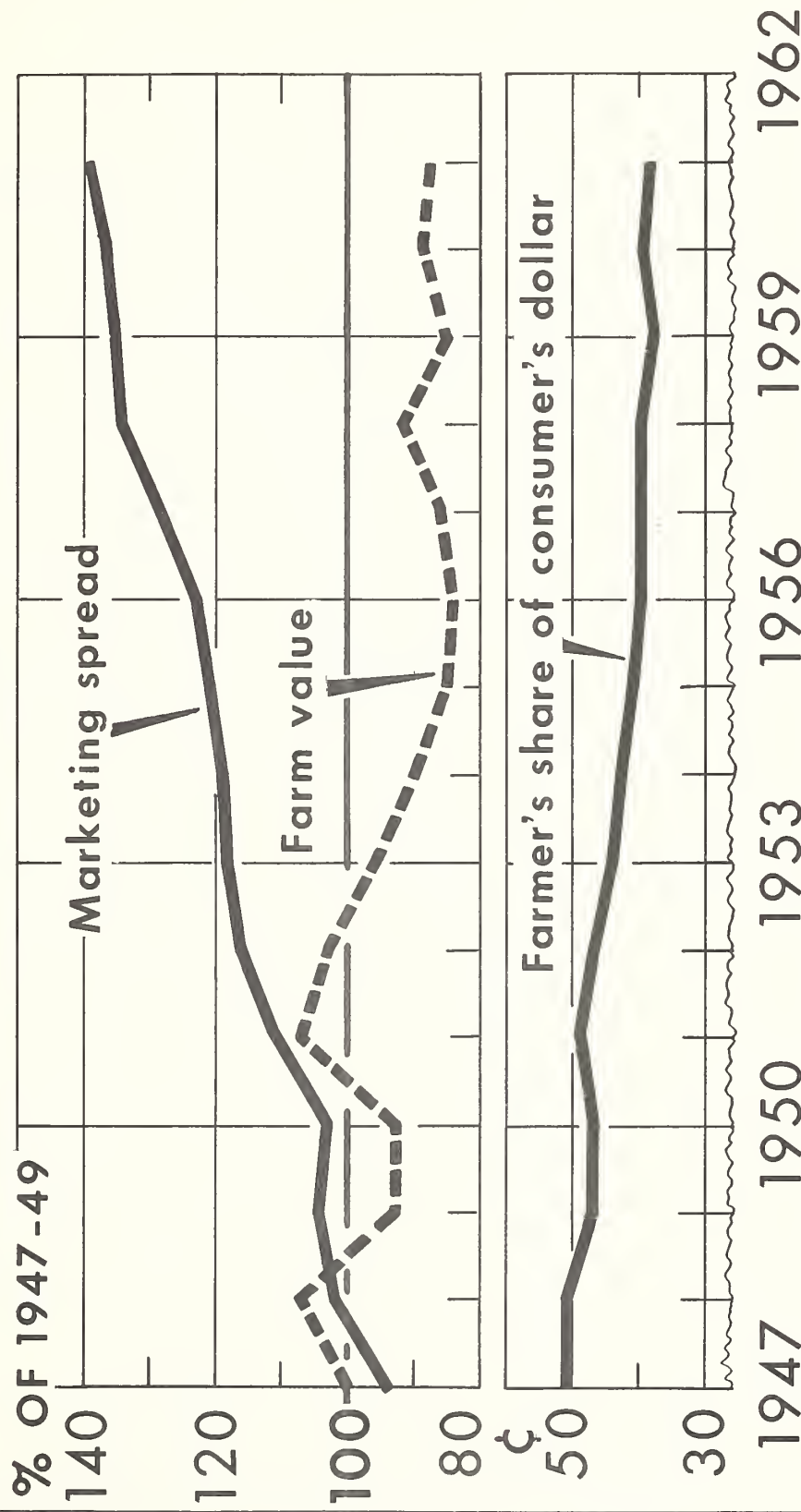
* OTHER COSTS AND NONCORPORATE PROFITS

† EXCLUDES INTERCITY TRANSPORTATION FIRMS

○ INTERCITY RAIL AND TRUCK ONLY

△ PROFITS BEFORE TAXES

MARKETING SPREAD AND FARM VALUE OF MARKET BASKET

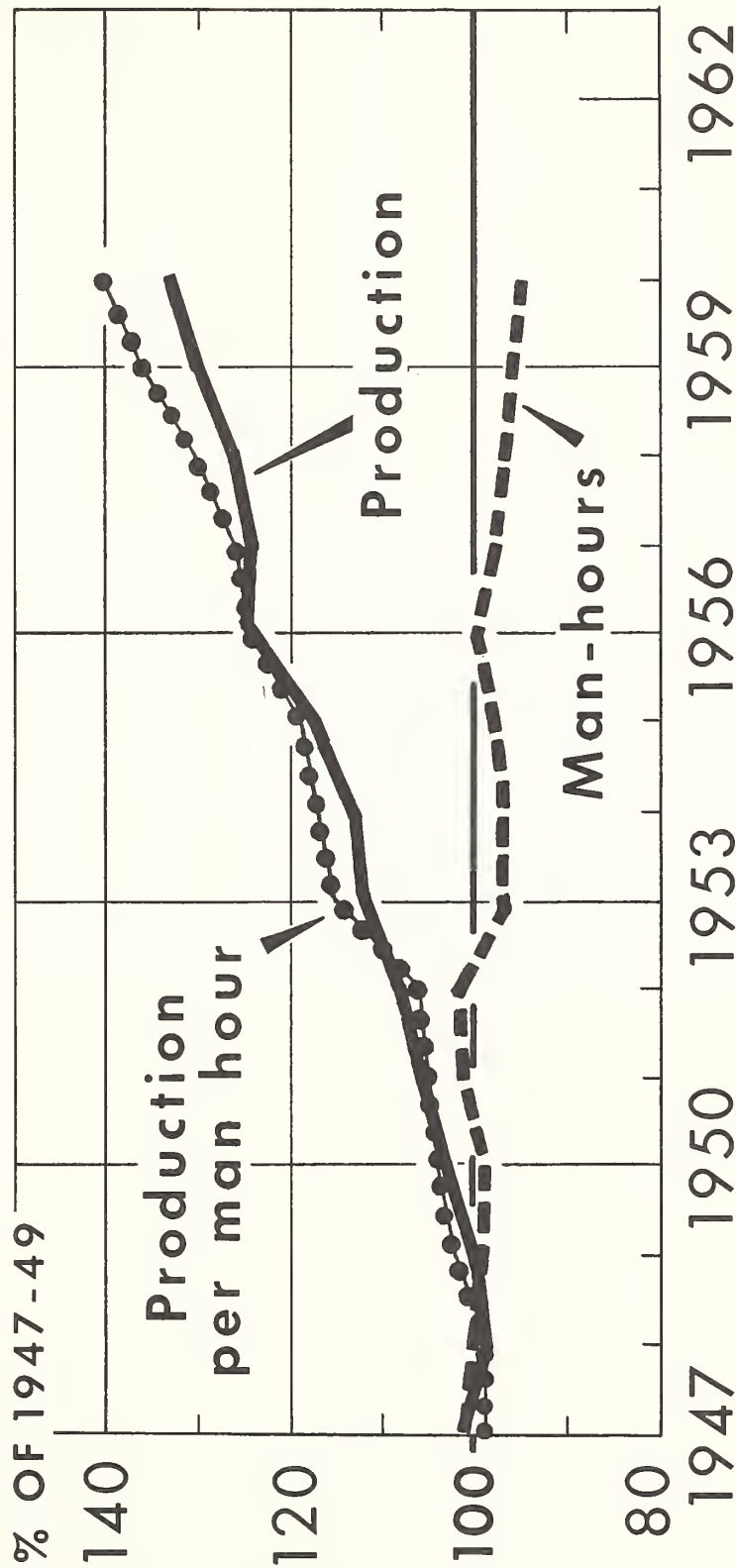


DATA ARE FOR AVERAGE QUANTITIES OF FARM FOODS PURCHASED BY URBAN FAMILIES IN 1952
1961 DATA PRELIMINARY

FIG. 9

Factory Production of Farm Food

PRODUCTION, MAN-HOURS, AND PRODUCTION PER MAN-HOUR

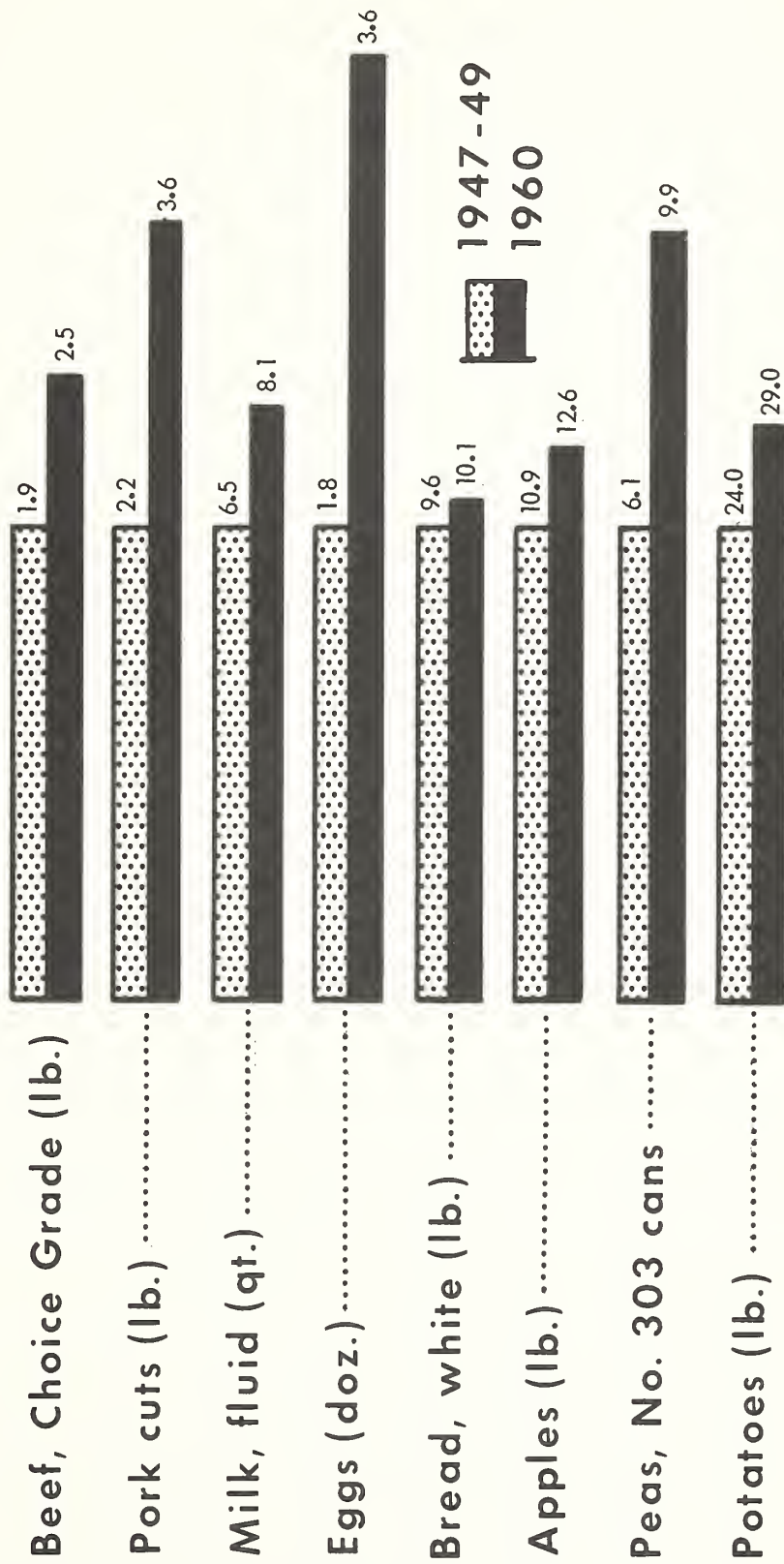


EXCLUDES PROCESSING OF FLUID MILK AND CREAM AND EGGS.

1960 DATA ARE PRELIMINARY.

QUANTITIES OF FOOD 1 HOUR OF FACTORY LABOR WILL BUY

1947-49 and 1960



(1) Intensive lint cleaning at gins reduces the amount of foreign material in cotton, raises producer grades, leaves average staple length unchanged, reduces bale weights, may or may not increase returns to growers, and frequently reduces value of cotton to cotton manufacturers by increasing mill costs or decreasing values of textile products (fig. 12).

(2) The value of using more than two lint cleaners in gins for increasing net returns to growers is in doubt and may even be fully offset by increases in costs and charges for ginning. And

(3) In the 1960-61 season, the average premiums and discounts quoted in the 14 designated cotton markets were close to the actual market premiums and discounts paid by traders for those grades and staples which were traded in large volumes. However, for those grades and staples of cotton traded in small volumes, quotations generally were well below actual prices.

4. Methods developed to improve marketing of horticultural crops. Research efforts in the economics of marketing horticultural crops are primarily related to analyses of efficiency of marketing operations, interregional competition, and structure of wholesale and shipping point markets. During the year some of the principal findings that were made are:

(1) The pallet box method of handling citrus fruits from groves to packinghouse has a clear cost advantage over the traditional field box method of handling.

(2) A study of sweetpotato processing plants in the Southeast indicates that increases in efficiency can be achieved through increases in size of plants and in length of operating season, by reducing levels of loss in the trimming and peeling operations, and by development of multiple-product operations to utilize unused processing capacity. Efforts along these lines need to be made before consideration is given to building new plants which probably would increase the percentage of unused plant capacity and increase operating costs.

(3) Although potato processing plants in the Northwest have captured substantial innovation profits during the past decade in the production and marketing of frozen french fries, flakes, and other products, the present outlook for the industry is much less favorable. Competition for market outlets is increasing rapidly as new plants have been built both in the Northwest and other major potato producing areas. Except for the production of frozen french fries, plant capacity is now excessive in nearly all areas, yet new plants continue to be put into operation.

(4) The wholesale fruit and vegetable business is a static or declining business in most major cities. Volumes of products handled have remained almost unchanged for 20 years, while numbers of firms have declined sharply as direct buying of fruits and vegetables by chainstores and other integrated retail organizations has increased sharply. Many wholesalers have made drastic changes in their operations such as adding repackaging operations as a means of staying in business. Such changes in structure are creating severe strains in the fruit and vegetable industry at all marketing levels, including producing area markets.

5. Use of fats in feed follows economic research. Research under this project has contributed to the widespread use of fats in feeds which within the span of a few years has developed into the largest single new market for fats and oils. The result has been the development of a major market outlet that has stabilized prices for tallow and grease, particularly important in view of displacement in other markets by synthetic materials. Consumption of fats in feeds has climbed to about 600 million pounds annually and the feed industry has the capacity to absorb this much more over the next few years.

6. Potato product development research brings rise in potato consumption. Research to determine the market penetration of new processed potato products indicates that these new products (some of which the Department played a major role in developing and sparking commercial adoption through cooperative utilization and marketing research) have contributed to a rise in potato consumption with attendant higher gross returns to producers. This research demonstrates the value of product development research by the Department, the dynamics engendered through product innovation, and will provide valuable guides to producers and processors with respect to the changing requirements of potato markets.

7. Bread and mixed feed industries analyzed to show how to improve efficiency. Research in the marketing of grains and feeds continues to be concerned primarily with efficiency and cost problems. During the year, some of the findings that were made include:

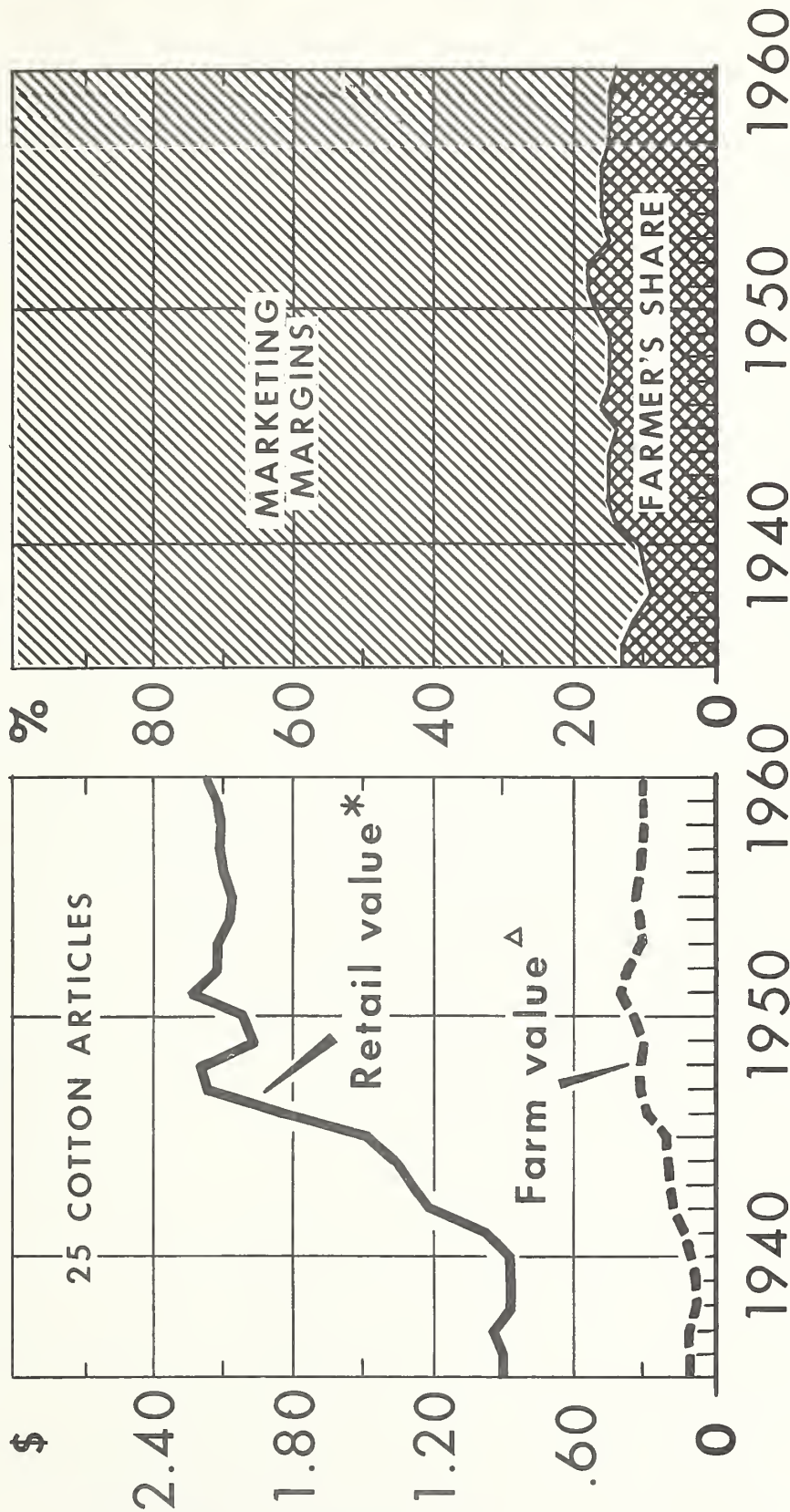
(1) The farm-to-retail price spread on bread rose from 10.2 cents to 18.3 cents a pound, or nearly 80 percent from 1947-49 to 1960. During the same period, average retail prices of white bread rose from 13.5 cents to 21.1 cents a pound, while the farm value of all ingredients used fell from 3.3 cents to 2.8 cents per pound loaf. Of this total increase of 8.1 cents in the gross margin, 6.3 cents resulted from increases in margins taken by baker-wholesalers. This increase was in turn mainly the result of higher distribution costs rather than higher production costs. As a result, new research has been initiated to find means of reducing bread distribution costs.

(2) Small mixed feed plants can achieve profits from a pelleting department at the typical extra charge of \$2.50 a ton for pelleting if they pellet at least 6,700 tons a year, a small volume for most plants.

(3) In a study of hay marketing, preliminary findings indicate a low correlation between prices received by farmers and hay quality as determined by official grades. Lack of an organized market for hay, deficiencies in market information services, and in-grade standards are indicated by these results.

8. Effects of changing structure among food marketing firms studies. In recent years firms and establishments have (1) increased in size, (2) become fewer in number, and (3) affiliated with some type of multi-establishment business organization. Data show that in many instances the increase in size has been accomplished through mergers and consolidations of existing companies. Economies of large-scale operations often encourage these large units. Sometimes, by having fewer firms, it is possible to eliminate duplicating services, such as in milk or bread delivery operations. However,

MARGINS FOR COTTON PRODUCTS



*RETAIL VALUE OF A GROUP OF 25 COTTON CLOTHING AND HOUSEHOLD ARTICLES EQUIVALENT TO 1 LB. LINT COTTON.

^ΔESTIMATED PRICES RECEIVED BY FARMERS FOR COTTON OF GRADE AND STAPLE LENGTHS REQUIRED IN THE MANUFACTURE OF THE VARIOUS ARTICLES.

FIG. 12

increasing concentration of buying power in a few firms has given added bargaining power to these large firms and reduced the number of market outlets available to many producers.

Research findings have emphasized the importance of better market information through such services as market news, grading and inspection services to help equalize the bargaining position of buyer and seller. They also emphasize the need for more vigilant enforcement of Government regulation of merger activities and unfair trade practices.

9. Marketing of products of Class III milk in the New York - New Jersey milkshed reported. This comprehensive study led to the conclusion that prices to manufacturers using Class III milk had been below competitive levels, but that substantial increases in prices might only be achieved by changes in the method of operating the Order. The report explored possibilities for limiting supplies, competitive pricing, and additional use of classifications. The results were presented at a hearing on the New York - New Jersey Order.

10. Studies on new gum-producing crop show new market possibilities. Research on potentials for guar, a new crop for the Southwest has indicated domestic needs for gum obtained by processing guar beans and other uses for guar could support a much larger domestic crop. This work has provided more precise knowledge of market possibilities for this new crop and is assisting in its adaptation to growing conditions in the Southwest where it performs a multi-purpose function. Acreage devoted to guar has doubled in the past year reaching 90,000 acres and further large increases are probable.

11. Feasibility of expanding food processing facilities in low-income areas. A study of economic feasibility of locating additional packing plants in low-income areas of Alabama and Florida suggests there is limited opportunity for such investment. The details of this study will be published shortly.

Work with the University of Montana has provided for study of all farm employment opportunities which would result from the expansion of food processing in Western Montana. This study involved not only an investigation of six production counties, but of the market areas where their goods are shipped. Investigation at the grower level showed that the marketing structure was sufficiently haphazard so that needed quality control of products was impossible.

Climatic conditions favor production of alternative crops. Credit was determined to be readily available within the area. Thus, the absence of an orderly system and coordination of producers who are willing to borrow sufficient capital to produce an orderly marketing and processing system seem to be the primary factors which are impeding the development of additional economic facilities in this rural development area.

III. DOMESTIC AND FOREIGN ECONOMIC ANALYSIS

Current Activities and Trends: This project consists of three major activities.

A. Domestic Economic and Statistical Analysis covers the gathering, analysis and interpretation of information on American agriculture as a whole, and for specific items, including many statistical series relating to farm

income, prices, population and labor, and agricultural situation reports for important crop and livestock products. The major objective of the work is to keep farmers and others concerned with agriculture fully informed on both the present and prospective agricultural situation through regular reports and special analyses for specified commodities and geographic areas.

B. Foreign Development and Trade Analysis research is concerned with appraisal of foreign market programs, the effect of foreign economic development on agriculture, and trade statistics and analysis. The research emphasizes the appraisal and evaluation of the economic implications of policies and programs of the U. S. and other countries on our foreign trade in farm products and the efficient use of our excess food production and other resources in economic development abroad. The information thus gained will be employed in improved formulations of national policies, positions, and programs in the area of foreign agricultural marketing, foreign economic development, and foreign agricultural trade.

C. Foreign Regional Analysis is concerned with research on food and agriculture in more than 100 foreign countries in the Western Hemisphere, Europe, including the Soviet Union, Asia, Africa, and Oceania. For each country, the research is centered on economic analysis and interpretation of conditions, forces and developments affecting supply, demand, and trade in farm products, and their impact on current and prospective U. S. agricultural exports.

Selected examples of recent progress:

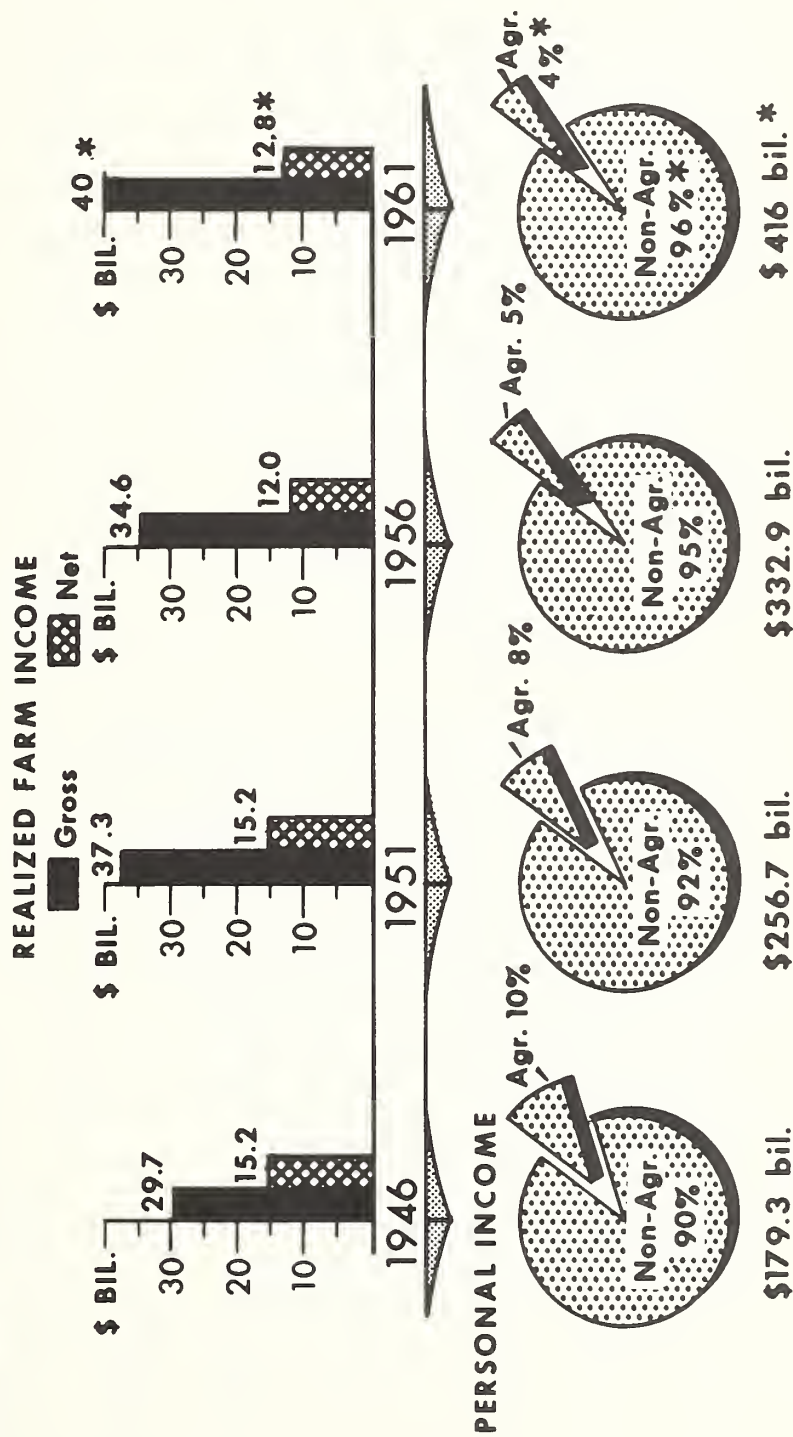
1. Examples of current Situation and Outlook reports issued throughout the Year. Major developments affecting the farmers' economic situation included in the regular commodity situation reports issued during the year:

a. Farm Income: The realized net income of farm operators in 1961 will be about a billion dollars higher than the \$11.7 billion received last year. It is expected that the income gains registered this year will be maintained in 1962, with little overall change in the realized net income of farm operators, total volume of farm marketings, or average prices received by farmers. (fig. 13 and fig. 14)

b. Marketing Costs: Charges for marketing food products from U. S. farms will average about 2 percent higher this year than last, continuing the long-term upward trend that began during World War II. The prospect for 1962 is similar, with marketing charges expected to average 1 or 2 percent higher per unit of product than in 1961. Retail costs are again expected to rise slightly.

c. Feed Grains: The total supply of feed grains and other concentrates for 1961-62 is down 7 million tons from the record supply of last year. This is the first interruption of the steady upward trend in feed concentrate supplies that began in 1952. Total utilization and exports are expected to exceed the 1961 crop for the first time in 10 years, reducing carryover into 1962-63 by around 5 million tons below the record carryover of 84 million tons for 1961-62. (fig. 15)

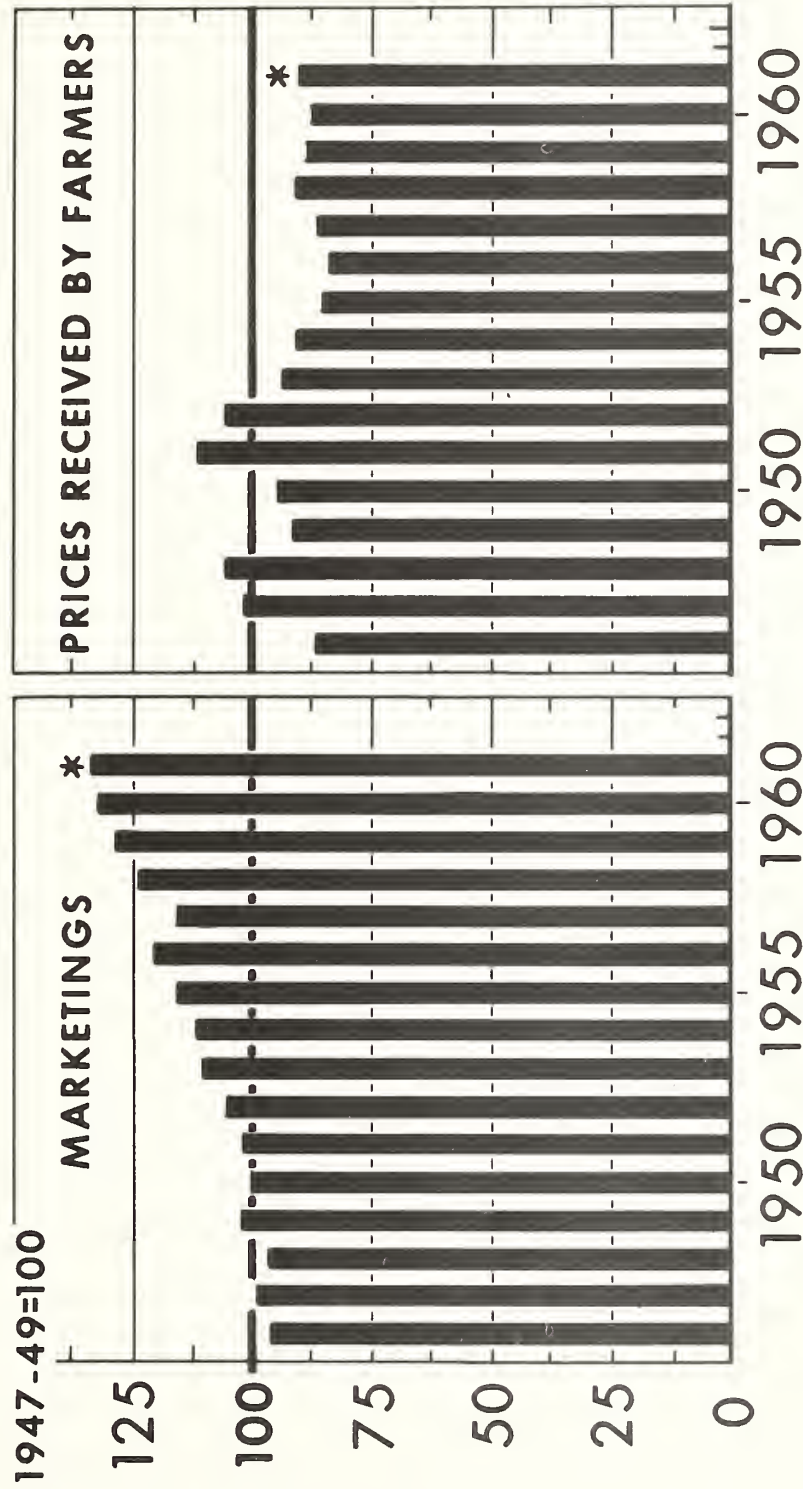
Farmers' Share of Nation's Income Smaller



* PRELIMINARY



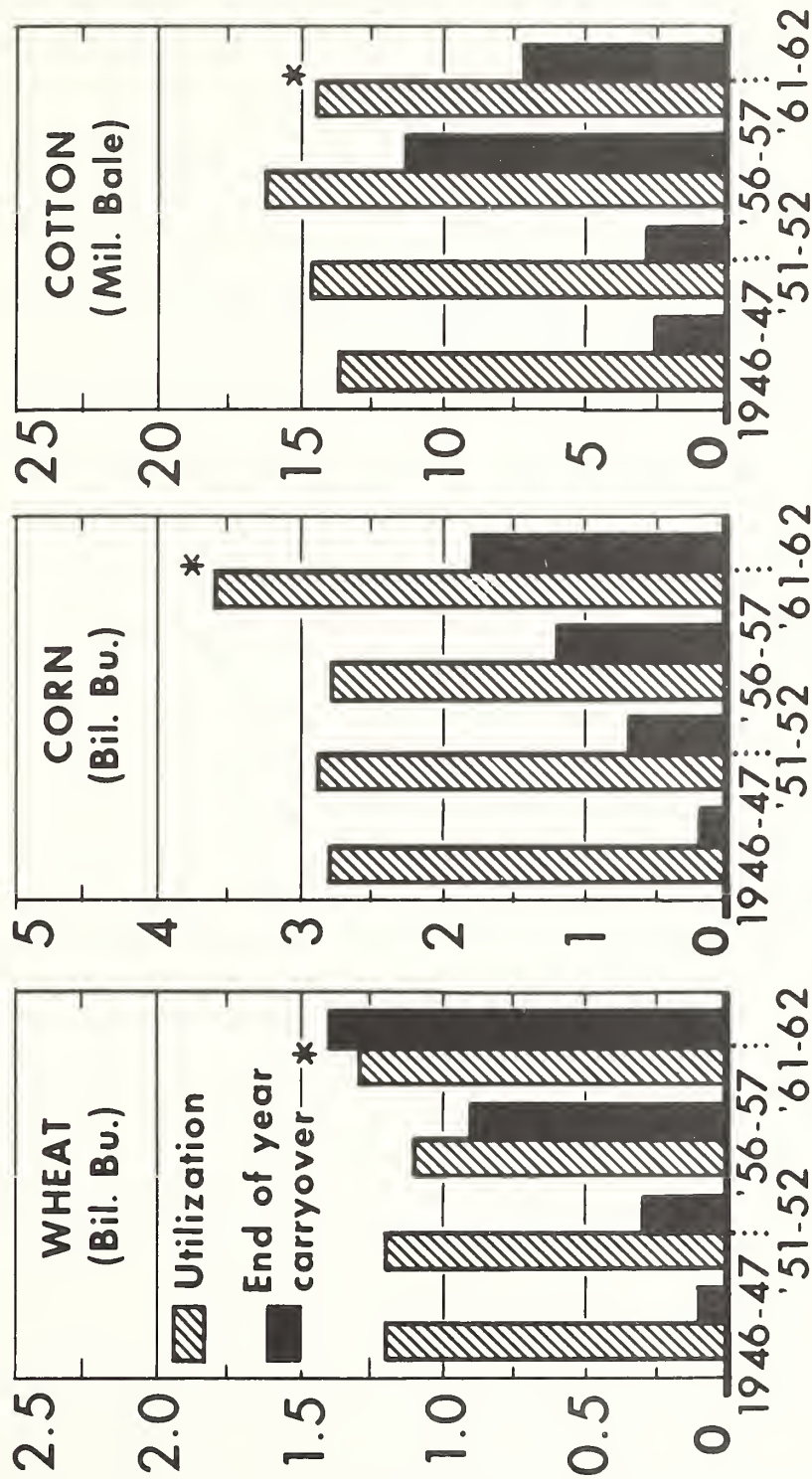
Larger Marketings at Lower Prices



*PRELIMINARY

FIG. 14

Wheat and Corn Are Major Stock Problems



BEGINNING OF CROP YEAR: WHEAT, JULY 1; CORN, OCT. 1; COTTON, AUG. 1.

*1961-62 PRELIMINARY.

FIG. 15

d. Livestock and Meat: A record output of red meat is expected in 1962, accompanied by a small increase in per capita consumption. Increases are expected in the production of both beef and pork, but the production of lamb and mutton is expected to be down. The outlook for 1962 is for hog prices somewhat below the 1961 level; lamb prices improved over 1961; and an average farm price for all cattle and calves about the same as this year.

e. Milk: Milk production in 1962 again is expected to register another significant increase as it did in 1961. Not much change is anticipated in aggregate consumption of dairy products. CCC purchases in 1962 will exceed the large purchases in 1961.

f. Poultry and Eggs: Production of eggs next year is expected to be a little above the 170 million cases in prospect for 1961, and egg prices to producers are likely to average below the 36 cents per dozen indicated for 1961. Heavy broiler production appears to be in prospect for 1962 despite record low prices in 1961, and the turkey crop in 1962 is again likely to be large.

g. Fats and Oils: Total supply of edible fats, oils, and oilseeds during the 1961-62 marketing year is forecast at a record 16.1 billion pounds. Even though exports and domestic use are expected to be record large, the carryover of around 75 million bushels of soybeans is likely next October 1. Due to the price support program, the season average price received by farmers for 1961 crop soybeans is forecast at \$2.30 a bushel, about 5 percent above the year before.

h. Cotton: With the 1961 crop now estimated at 14.5 million bales and 1961-62 exports expected to be around a million bales less than in 1960-61, the carryover of cotton on August 1, 1962 will likely be about 400,000 bales higher than the 7.2 million bales on hand August 1 of this year. This will be equal to the 1960 carryover, but well below the very high carryovers of 1954 to 1959 (fig. 15).

2. Economic factors affecting price, supply and utilization of potatoes, identified and measured. This research indicates a significant change in supply-price relationship between pre-World War II and post World War II. The greater supply response in the past war period primarily reflects the increased importance of the production of earlier crops which appear to have a higher supply response. Although supply response was shown to be low--only 2% reduction change following a 10% change in price--significant year-to-year acreage and production changes occur mainly because of substantial year-to-year changes in potato prices.

3. Analysis of supply and consumption of food show continued high level. The National Food Situation reported by quarters the food situation and outlook. The general level of food consumption has remained high over the past year. Pork supply is increasing from a cyclical low, and weather conditions have been favorable for crop output. Postwar changes in consumption of food in the U. S. were described and some of the major underlying factors identified. The articles related to vegetables, breakfast food cereals, food fats and oils, and poultry (fig. 16).

4. Farm man power, employment and wages analyzed. Nearly 3.7 million persons averaged \$6.25 in cash daily earnings from farm work in 1961. A year earlier the average daily wage was \$5.95. Of the 2.2 million farm wage workers doing 25 days or more farm wage work in 1959, 27% worked primarily with machines; 16% worked primarily with livestock; while the remaining workers did hand labor for the most part. Farm operators employing wage workers spent an average of \$1,358 in 1959 for farm wages. Only 9% of the farm employers had wage expenditures exceeding \$2,500. Over one-third of the employers hired 6 or more workers during 1959.

5. Increase shown in availability and use of health services and facilities in rural upstate New York. The restudy of six New York counties has shown that in all instances there is greater use of preventive health services and a substantial increase in the proportion of farmers with health insurance. In two counties the ratio of total population per physician and hospital bed in 1957 was less favorable than in 1949, but the number of dentists and registered nurses per capita improved. In two other counties the ratios remained relatively constant. In Cortland and Oswego counties the proportion of rural people using medical specialists and hospital services increased significantly.

6. Exports for Fiscal Year 1961-62 expected to set a new record. U. S. agricultural exports are expected to total 5.1 billion dollars in FY-62 compared with the record of 4.9 billion dollars last year. Volume also will be at a new high (fig. 17). Gains are expected in wheat and flour, soybeans, vegetable oils, fruits, vegetables, and animal products. Exports of feed grains will probably show little change, and moderate declines are expected in cotton, rice, and tobacco (fig. 18 and fig. 19).

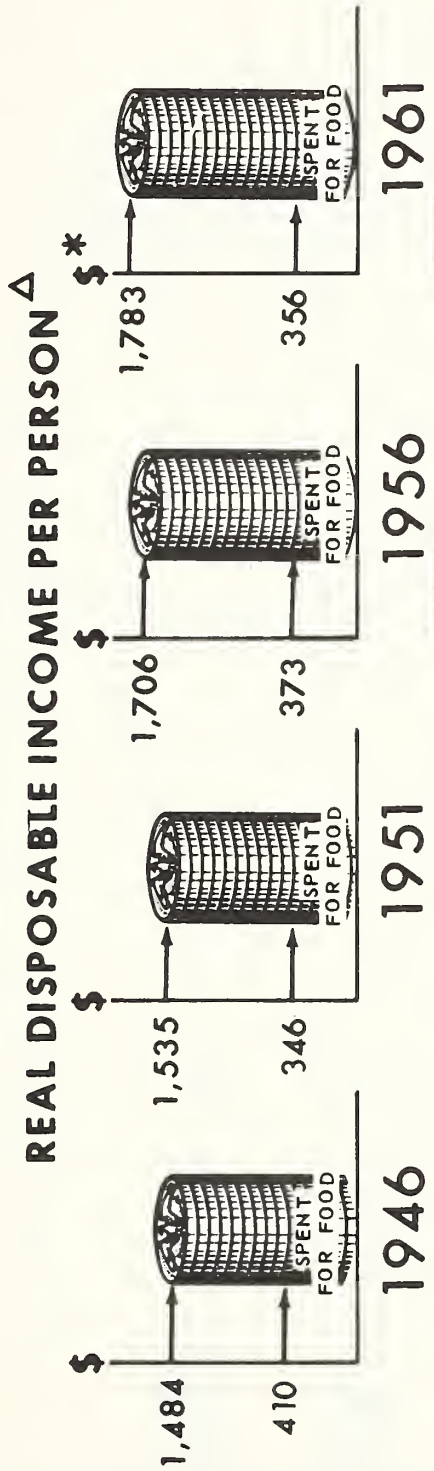
Western Europe will have to import substantially more wheat in the current season to make up for its reduced production. Continued relatively smaller exports of soybeans from Communist China will be a principal factor in the increased demand for U. S. soybeans and meal. Edible oil exports will be helped by smaller olive oil crops in the key countries of Spain and Italy as well as by reduced exports of copra. A limiting factor on any further gain in feed grain exports this year is the substantial increase in European production, particularly in France.

Increased dependence on previously accumulated inventories abroad constitutes the main factor in the expected decline in U. S. cotton exports. For rice, this year's decline in exports will reflect mainly the continued reduction in U. S. carryover stocks, which have been going down since 1956. The decline in tobacco exports will reflect increased competition from expanding production abroad, improved foreign stock position, and the continued existence of trade barriers (fig. 20).

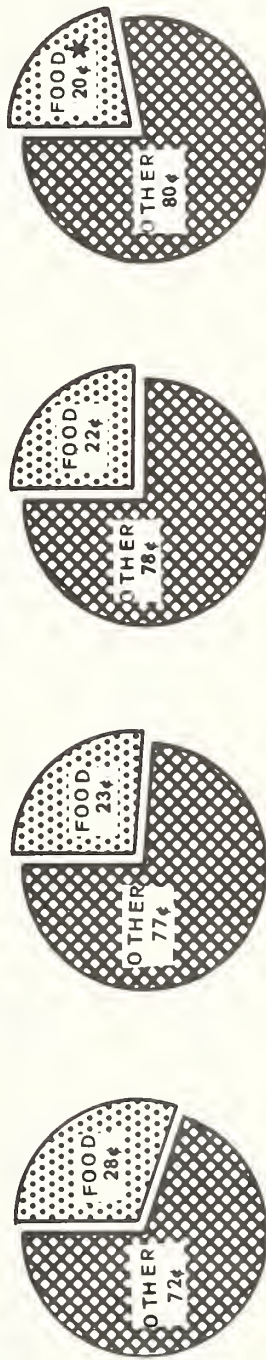
7. World food budget developed. A survey of food supplies and requirements throughout the world was undertaken early in 1961. First results of such a study were given in The World Food Deficit, a First Approximation, a preliminary report published in March 1961, which disclosed the food deficits by nutrients and commodity tonnages by regions and for the world.

A more thorough study was published in October 1961, entitled The World Food Budget, 1962-66, which presents the following conclusions: Food balances for the world's nations present sharp contrasts. Diets are nutritionally adequate

Food Smaller Share of Spending



EACH DOLLAR SPENT FOR CONSUMPTION



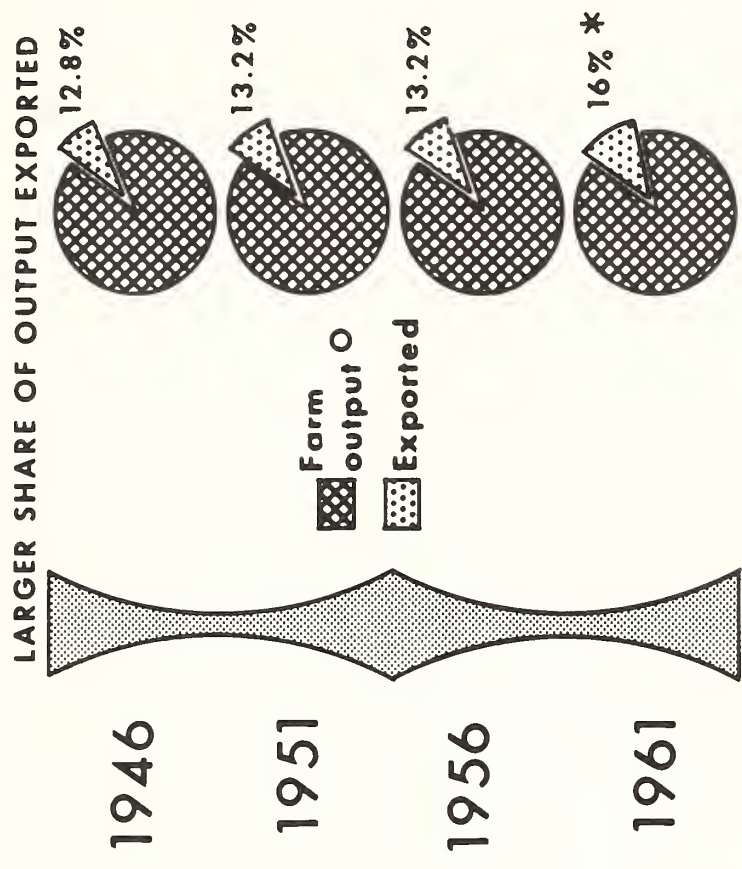
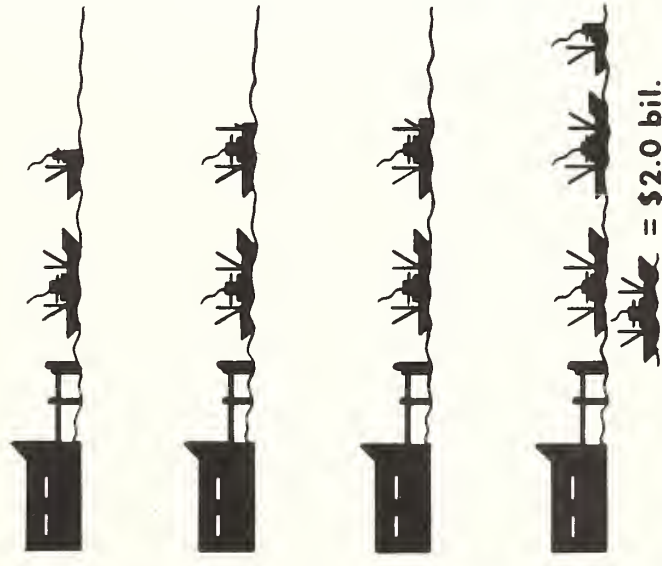
Δ 1954 DOLLARS

* PRELIMINARY

FIG. 16

Agricultural Exports Rise Rapidly

AGRICULTURAL EXPORTS Δ



Δ EXCLUDES RE-EXPORTS

* PRELIMINARY

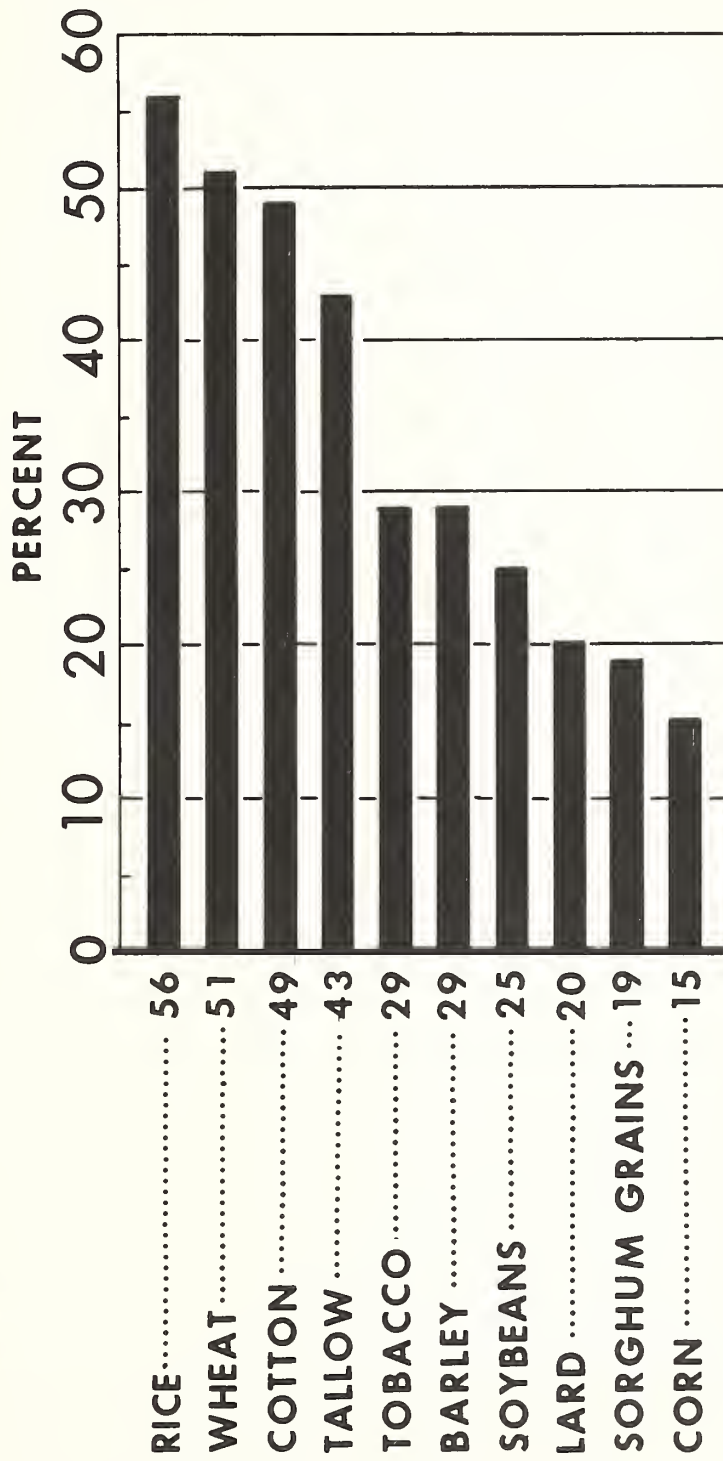
O NET OF SEED AND FEED USE

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 462-61 (9) ECONOMIC RESEARCH SERVICE

FIG. 17

Exports Provide Big Outlet for Many U. S. Farm Products



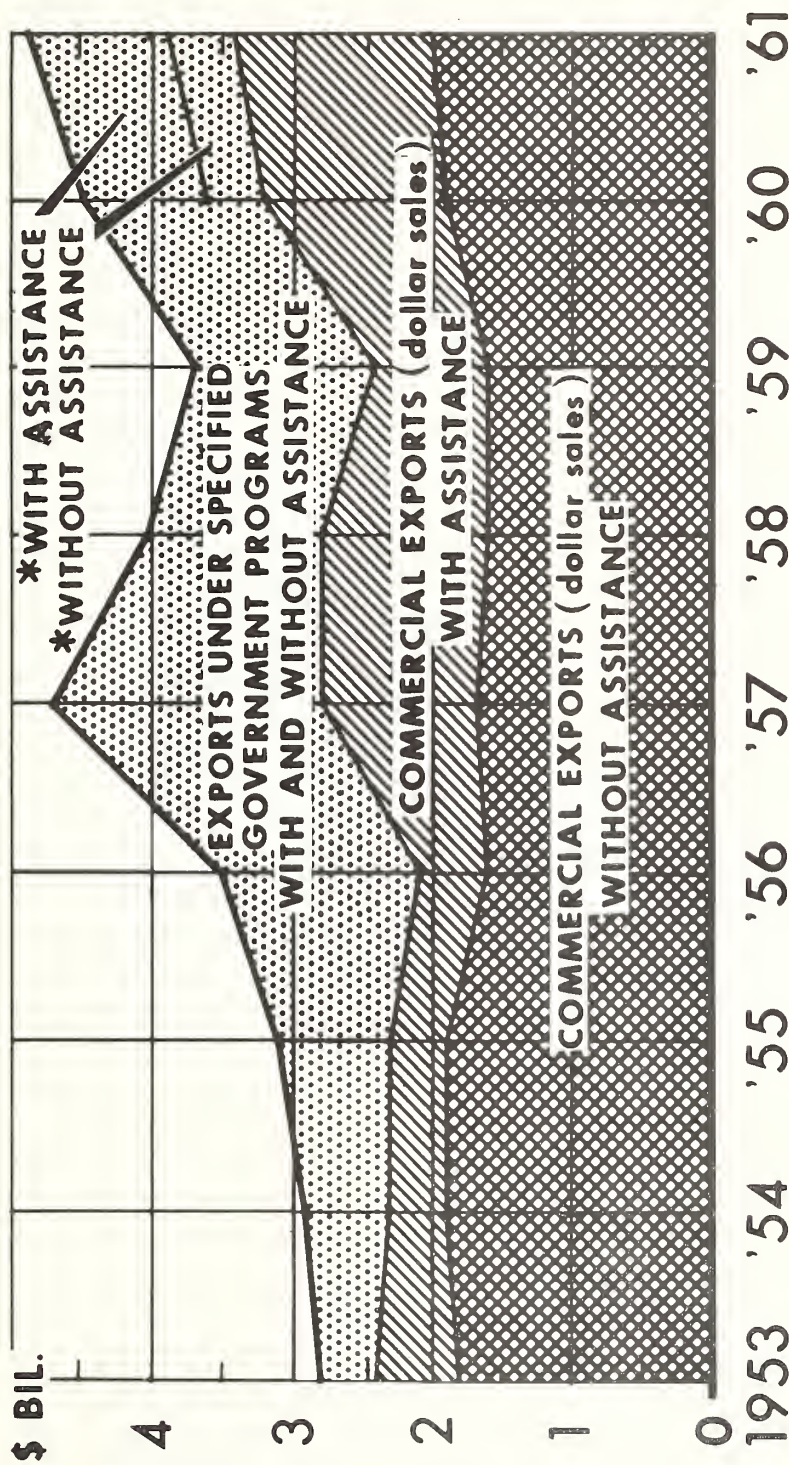
EXPORTS COMPARED WITH FARM SALES FOR CROPS AND WITH PRODUCTION FOR LARD AND TALLOW.
DATA ARE FOR FISCAL YEAR 1960-61.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 432-61 (9) ECONOMIC RESEARCH SERVICE

FIG. 18

Dollar Sales Account for 69% of Total Farm Exports in 1960-61



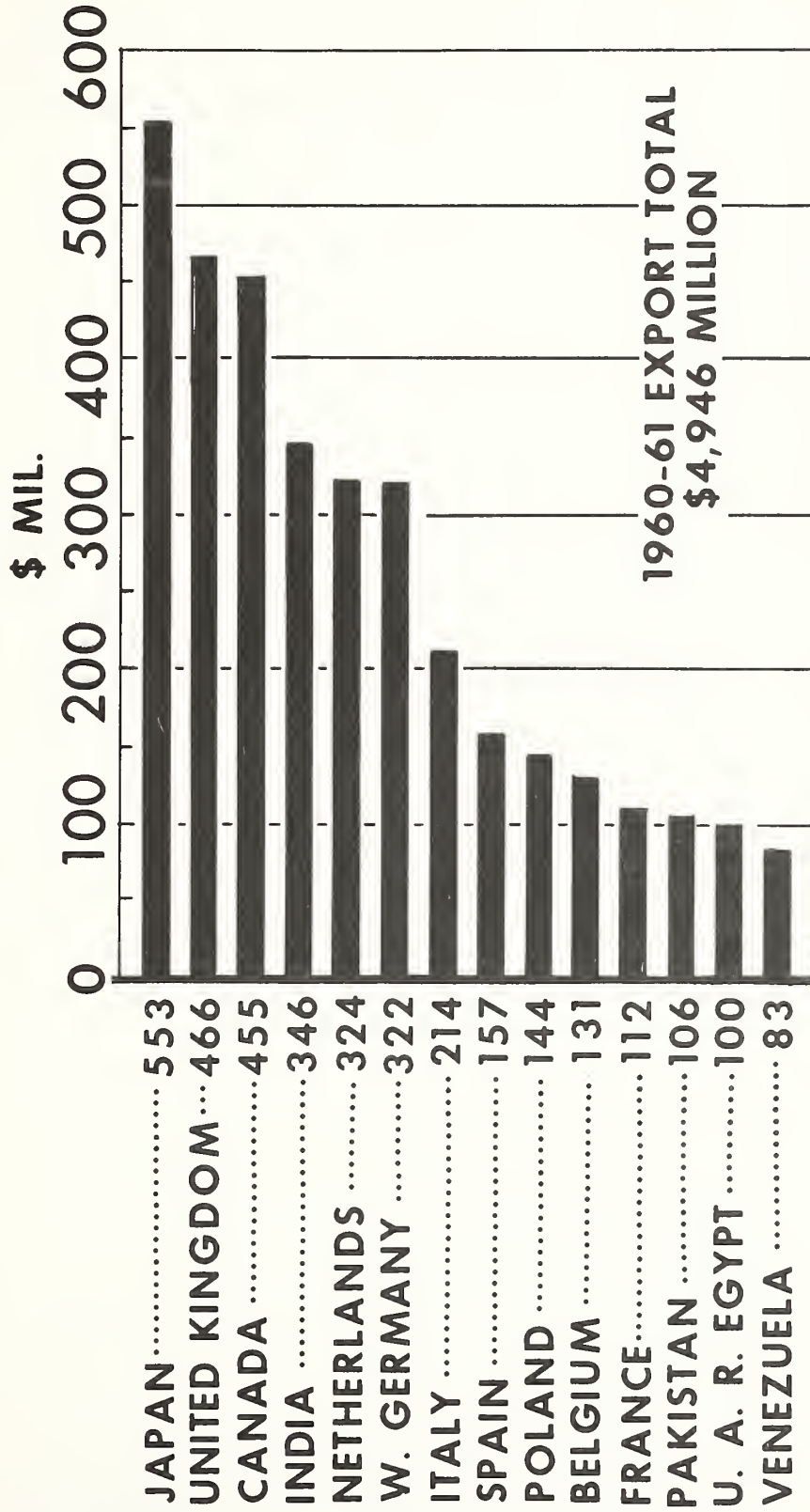
YEAR ENDING JUNE 30. *AVAILABLE ONLY FOR 1960 AND 1961.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 440-61 (9) ECONOMIC RESEARCH SERVICE

FIG. 19

71% of U. S. Agricultural Exports Go to 14 Markets



YEAR ENDING JUNE 30, 1961.

in the 30 industrialized nations in the temperate regions which account for a third of mankind--more than 900 million people. Their production of food and things they can trade for food assures their food supply, now and for the foreseeable future. For most of the 70 less-developed countries in the semi-tropical and tropical regions, diets are nutritionally inadequate, with shortages in proteins, fat, and calories. These countries contain over 1.9 billion people. In most of them, population is expanding rapidly; malnutrition is widespread and persistent; and there is little likelihood that the food problem soon will be solved (fig. 21).

8. The 1962 World Agricultural Situation appraised. A publication, The 1962 World Agricultural Situation, shows minor but significant shift in 1961 production pattern and indications of a better balance in 1962 between supply and demand for wheat than has existed for several years. Stock adjustments and the demand situation indicate improved world prices for several major farm products. This is an annual up-to-date appraisal of the world wide state of food and agriculture for calendar year 1961, and outlook for calendar year 1962, with indices showing total and per capita production trends for individual countries, regions, and the world.

9. Supply and demand of farm products abroad projected, 1965 and 1975. The following studies assess the future import demand for agricultural products in view of the long-term trends in demand for agricultural products and in domestic agricultural production:

United Kingdom. This study includes a comprehensive analysis of the consumption and supplies of agricultural products in the United Kingdom. Consumption, production, and import demand estimates are shown for major agricultural commodities of interest to the U. S. under different price, income, and population projections. Production estimates are made for different price levels, and trends in yield and economies of scale, as well as the effect of changes in inputs of factors of production. This study provides materials for evaluating the potential effect on U. S. exports of U. K. joining the European Common Market.

Philippines. This study concludes that the projected import demand to 1965 and 1975 in the Philippines indicates significant shifts in the forms of some of the commodities. There will be little import demand for rice, corn, and tobacco. There will be a shift in the imports of wheat from flour to grain; of meat and meat products from canned products to fresh and frozen meat and live animals.

10. British Commonwealth's agricultural economy assessed. A major study was completed in 1961 entitled the New British Commonwealth, Economic and Commercial Policies as Related to Agricultural Production and Trade. It describes overall Commonwealth policies and policies of members with respect to agriculture and economic development affecting agriculture.

Present day Commonwealth members, including the new ones in Asia and Africa, are asserting their independence in the area of agriculture and trade as well as in political matters. They are seeking markets outside the Commonwealth and are showing a strong desire to protect their trade interests in the European Common Market. Their attention to procurement of capital for economic

development, and their promotion of trade outside the Commonwealth, are causing them to reduce their dependence on the Imperial tariff preferences and other special trade advantages within the Commonwealth.

11. U. S. and Soviet agriculture compared. A series of indicators for the U. S. and Soviet agriculture was developed to reflect agricultural resources, the organization of farming, crop acreages, yields per acre and production, livestock numbers and production of livestock commodities.

The farm economy of the United States uses much less labor and land, but substantially more capital than the collectivized agriculture of the Soviet Union to produce on the average approximately 60 percent more annual output. Soviet farm labor force is $6\frac{1}{2}$ times, and sown crop land more than 50 percent larger than those of the United States. But the numbers of tractors on farms in the Soviet Union is about one-fourth of those in the United States.

12. Market potential and competition of U. S. farm products in Venezuela reported. The publication, Foreign Agricultural Economic Report No. I, is a comprehensive competition study of Venezuela as a major market for U. S. agricultural products. Venezuela ranked first in Latin America and eighth in the world in 1960 as a dollar market for U. S. farm products.

Venezuela ranked first or second in most recent years for such important export items as dried whole milk, wheat flour, cigarettes, oatmeal, eggs in the shell, infant and dietetic foods, and barley malt.

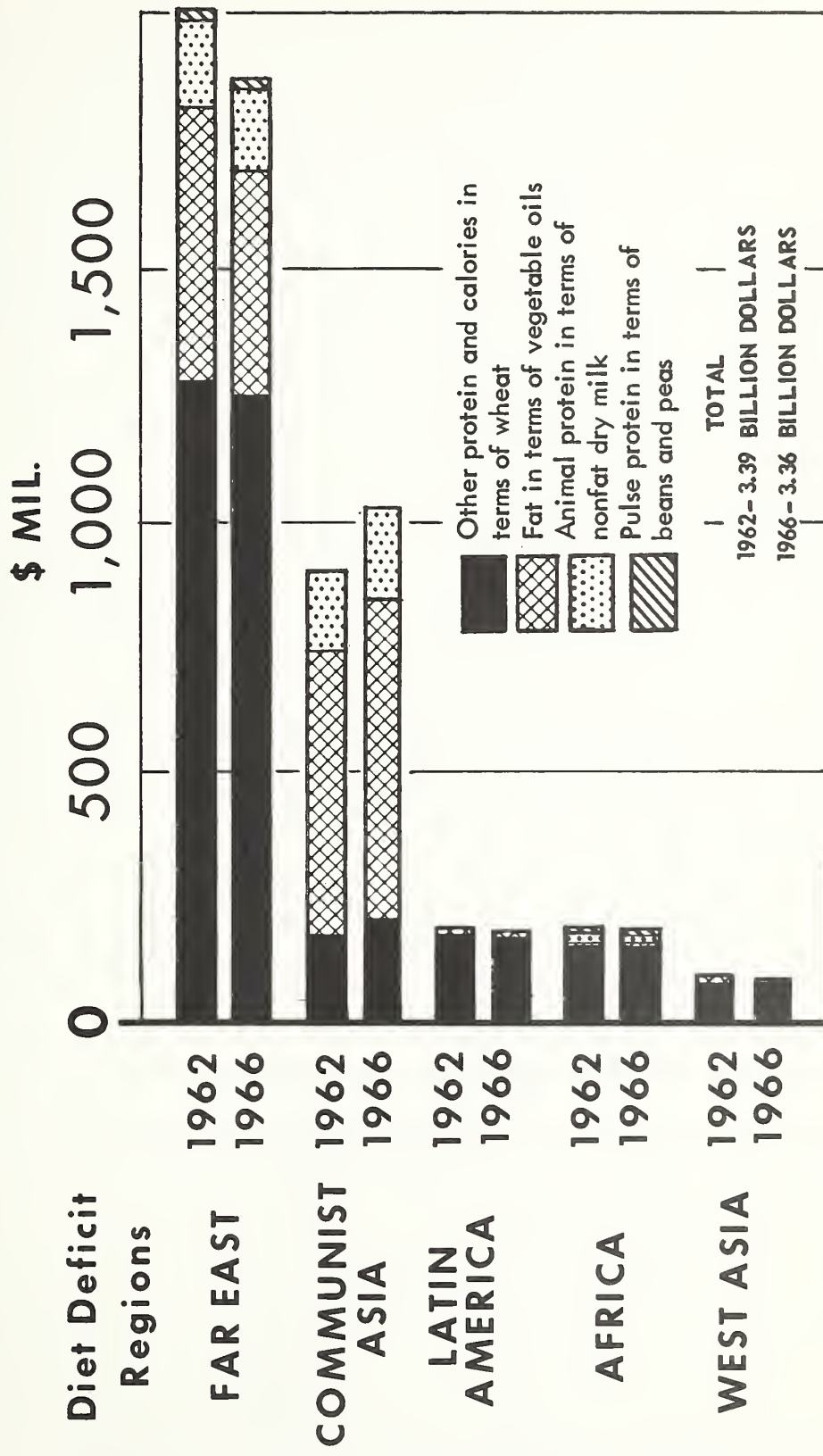
Competition from both domestic sources and third suppliers has been growing in recent years and, although the value of U. S. exports has been expanding, our share of the market has been steadily declining. Economic factors contributing to this declining share of the market were analyzed and measures for the retention of our present share of the market and to regain at least a portion of what we have lost in recent years, were outlined.

13. Agricultural economy of India studied. This is a comprehensive study of India's agricultural economy. It includes information about the characteristics of the agricultural economy, Five Year Plans, agricultural production, marketing, transportation, consumption, international trade in farm products, and other information relating to the agricultural economy.

14. Japanese agricultural economy reported. Japanese agriculture has made remarkable advances in the postwar period. A document has been prepared describing the physical, economic, and institutional setting within which Japanese farmers operate. It points out factors that hinder agricultural development and highlights the means Japan is using in overcoming such difficulties and making possible continued increases in yield per acre and total output. For the decade of the 1950's as a whole, Japan ranked as the largest foreign outlet for U. S. farm products.

15. Agricultural and trade development in 20 Latin American countries reviewed. A comprehensive bulletin reviewed agricultural and trade development for the independent countries of Latin America. Factors analyzed included population and land use, agricultural production, consumption and self-sufficiency, agricultural policies, and trade and outlook. Particular attention was paid to trade, with agricultural trade with the U. S. being stressed.

VALUE OF WORLD FOOD DEFICIT BY REGIONS AND BY FOOD NUTRIENT GROUPS ^Δ



^ΔVALUE DETERMINED ON THE BASIS OF AVERAGE U.S. EXPORT PRICES FOR FISCAL YEAR 1960-61.

With agriculture the dominant industry, almost 60 percent of the region's 198 million people live on farms. Average per capita gross national product increased from \$256 in 1950 to \$307 in 1959, an average annual growth of less than 2 percent. However, since 1955, there are signs of increased economic growth. Average per capita food consumption was about 2,600 calories per day in 1958, but variations ranged from a low of 1,900 calories in Bolivia and Haiti to a high of over 3,000 for Argentina. Although greater emphasis has been placed upon increased domestic agricultural production, U. S. exports of farm products to the region totaled almost one-half billion dollars in 1959, and increases are expected in future years resulting from increased requirements and economic development.

16. Effects of PL 480 programs being analyzed. The first of a series of country studies on the effects of PL 480 shipments on economic development and trade is being completed for Israel. Contracts are now being negotiated in three additional countries. The research is financed with local currency funds. These studies represent a part of an overall program to provide a comprehensive analysis of PL 480 and other export programs, and their relation to commercial dollar sales and their impacts on domestic farm programs.

17. Monetary and financial aspects of trade and development programs weighed. Continuing analyses of changing financial positions of foreign countries involve the tabulation and evaluation of balance of payments, gold and foreign exchange reserves and related economic factors, both external and internal, that affect a foreign country's ability to buy U. S. farm products with dollars or qualify for special U. S. concessional sales. This requires constant review and use of economic data supplied by U. S. foreign service reports, international institutions, such as the International Monetary Fund, the International Bank for Reconstruction and Development, and the Inter-American Development Bank; and other domestic and foreign sources. This provides a basis for determining appropriate U. S. export programs applicable to the financial position of the importing country.

18. Studies of agriculture in foreign economic development programs begun. Available information about the role of agriculture in general economic development is being compiled and evaluated. This information is needed to establish a general classification of countries with respect to stages of economic development so that the types and nature of agriculture's contributions to total development can be identified. Current information about agriculture's role in economic development suggests that its role changes with the level and rate of economic growth. Knowledge of the relationship of agriculture in economic development in underdeveloped countries is needed to establish priorities for program efforts designed to promote economic growth and to appraise the impact of economic growth on U. S. trade in farm products.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1961, were actually received or programmed for 1962 or 1963. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1961	Estimated Obligations, 1962	Estimated Obligations, 1963
Allotments from:			
<u>Flood prevention, Soil Conservation Service</u> - Works of improvement	- -	\$28,000	\$30,000
<u>Watershed protection, Soil Conservation Service:</u>			
Investigations and planning	16,165	20,000	25,000
Installation of works of improvement	100,516	97,000	90,000
Surveys and investigations of water resources programs	189,673	187,504	204,000
Total, Watershed Protection	306,354	304,504	319,000
<u>Consolidated Working Fund, General, Agriculture</u> - for area redevelopment program	- -	4,500	- -
Total, Allotments	306,354	337,004	349,000
Allocations and Working Funds (Advances from other agencies):			
<u>Agency for International Development:</u>			
Training services	16,979	36,550	36,550
Technical consultation and support	35,368	51,050	51,050
Administrative expenses	13,865	14,200	14,200
Total, Agency for International Development	66,212	101,800	101,800
<u>Emergency Fund for the President, National Defense</u> - for area redevelopment program	3,693	- -	- -
Total, Allocations and Working Funds	69,905	101,800	101,800
Trust Funds:			
<u>Miscellaneous Contributed Funds</u> - for economic research	2,327	12,000	12,000

(Continued on next page)

Item	:	Obligations,	:	Estimated	:	Estimated
	:	1961	:	1962	:	1963
Obligations under Reimbursements from	:		:		:	
Governmental and Other Sources:	:		:		:	
Salaries and expenses	:	392,364	:	575,088	:	575,088
Watershed protection, Soil	:		:		:	
Conservation Service	:	11,999	:	23,000	:	23,000
Total, Reimbursements	:	404,363	:	598,088	:	598,088
TOTAL, OBLIGATIONS UNDER ALLOTMENTS	:		:		:	
AND OTHER FUNDS	:	782,949	:	1,048,892	:	1,060,888

PASSENGER MOTOR VEHICLES

The 1963 Budget Estimates propose the replacement of 7 passenger motor vehicles. Passenger motor vehicles are replaced on the basis of mileage and age standards prescribed by the General Services Administration. Standards provide that vehicles to be replaced must be at least six years of age or have been driven 60,000 miles or more, or meet other criteria.

The passenger motor vehicles of the Economic Research Service are used for necessary field travel in carrying out the following services: (1) a national program of economic research and service work related to the utilization of resources in agriculture, problems of adjustments in farm population, and farm financial problems; (2) a marketing economics research program relating to market potentials, distribution, and merchandising of agricultural products. The automobiles are used for travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses, where use of common carrier is not feasible.

All of the 7 passenger motor vehicles proposed for replacement will meet the "60,000 mile - 6 year" standard indicated above.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1961 is as follows:

Age Data			Mileage Data		
<u>Age-Year</u> <u>Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>	<u>Lifetime</u> <u>Mileage</u> (thousands)	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>
1956 or older	2	14	80-100	1	7
1957	7	50	60-80	5	35
1958	3	22	40-60	3	22
1959	1	7	20-40	3	22
1960	-	-	Under 20	2	14
1961	1	7	Total	<u>14</u>	<u>100</u>
Total	<u>14</u>	<u>100</u>			

STATISTICAL REPORTING SERVICE

Purpose Statement

The Statistical Reporting Service was established by Secretary's Memorandum No. 1446, Supplement 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service was created to give coordinated leadership to the statistical reporting research and service programs of the Department. It provides a channel for the orderly flow of statistical intelligence about the agricultural economy of this country. The primary responsibilities of this Service are the nationwide crop and livestock estimates, coordination and improvement in the Department's statistical requirements, and special surveys of market potentials for agricultural products. **Service** programs are organized under the following major areas:

1. Crop and livestock estimates, including estimates of production, supply, price and other aspects of the agricultural economy; conduct of enumerative and objective measurement surveys; preparation and issuance of the official National and State estimates and reports of the Department relating to acreages, types and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.
2. Statistical research and service, including review, clearance, coordination, and improvement of statistics in the Department; research on and development of improved statistical techniques used in gathering and evaluating statistical data; data processing activities, with related systems analysis and research, programming and processing of data; research on consumers' preferences on foods, fibers, and their by-products and consumers' evaluation of costs and other factors when buying these products.
3. Research under Section 104(a) and (k) of P.L. 480 - Analyses and research projects beneficial to the United States which can be advantageously conducted overseas by foreign research institutions and universities are financed with foreign currencies through contracts and grants. Professional personnel carefully review and appraise for technical adequacy these projects prior to carrying on the negotiations leading to contract execution. During the course of the work, the Service periodically appraises progress and methods used in the contract or grant, and reviews reports produced as a part of the project. The Explanatory Notes under appropriations for the Foreign Agricultural Service and the Agricultural Research Service contain discussions of 104(a) and (k) activities.
4. Work Performed for Others - The Service also performs services for other Federal, State, and private agencies, on a reimbursable or advance payment basis. These include among others the AID foreign visitor training program, farmers' expenditures and wage and hour surveys for the Department of Labor, and various data collection activities for the Bureau of the Census and other organizations.

The Statistical Reporting Service maintains a central office in Washington, D. C., but a large part of the crop and livestock program is carried on through 43 State offices.

On November 30, 1961, there were 942 full-time employees, of whom 642 were in the field. In addition, there were 297 part-time and intermittent employees, primarily in the field.

	Estimated Available, <u>1962</u>	Budget Estimates, <u>1963</u>
Appropriation	\$8,758,000	\$9,693,000

Salaries and Expenses

Appropriation Act, 1962	\$8,748,000
Supplemental Appropriation Act, 1962	20,000
Transfer to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-10,000
Base for 1963	8,758,000
Budget Estimate, 1963	9,693,000
Increase	<u>+935,000</u>

SUMMARY OF INCREASES, 1963

To extend to additional states the first phase of the long-range crop and livestock estimates program	+760,000
To develop improved automatic data processing systems and expand research on statistical techniques and methods	+175,000

PROJECT STATEMENT

Project	1961	1962 :(estimated)	Increases	1963 :(estimated)
1. Crop and livestock estimates	\$7,568,466	\$8,200,000	+\$760,000(1)	\$8,960,000
2. Statistical research and service	532,939	558,000	+175,000(2)	733,000
Subtotal a/	8,101,405	8,758,000	+935,000	9,693,000
Transfer in 1962 Estimates:				
from "Marketing research: and service, Agricul- tural Marketing Service"	-8,101,405	- -		
Transfer to "Operating Expenses, Public Buildings Service, General Services Administration"	- -	+10,000		
Total appropriation or estimate	- -	8,768,000		

a/ Represents obligations. Applied costs for 1961 are \$7,969,037. The difference of \$132,368 reflects primarily the excess of equipment and printed materials ordered over that used in 1961.

INCREASES

An increase of \$935,000 under the appropriation Salaries and Expenses consisting of:

(1) An increase of \$760,000 for Crop and Livestock Estimates for placing in full operation in 4 additional States and on a pilot basis in 11 Western States the first phase of the basic program for improving crop and livestock reports.

Need for Increase: American agriculture urgently needs timely data on acres of crops planted and harvested, number of farms and total land

in farms, and livestock numbers, as well as prospective production of important commodities as the season progresses. The plans for extending the first phase of the long-range program into 4 additional States -- Virginia, Michigan, North Dakota, and South Dakota -- are a part of the broad program outlined to the Congress in 1957 for strengthening the crop and livestock estimating work. In 1961, an increase of \$750,000 was approved by the Congress for inauguration of the long-range program on an operating basis in 1961 in 15 Southern and North Central States. The House Appropriations Committee, in its report on the 1961 Agricultural Appropriation Bill indicated that the increase in 1961 was a first step in a program to complete the work "within 3 or 4 years." In 1962, it is expected that the program will be extended to five additional Corn Belt States, or to a total of 20 States, with funds the Congress appropriated to continue the expansion of the program.

Plan of Work: The increase proposed for 1963 contemplates that the full program of enumerative surveys of a scientific sample of farms would be expanded to a total of 24 States. This would mean that most of the cotton producing area, and the important corn producing States would have a full scale program of enumeration and objective yield measurements in 1963.

Pilot projects would be provided for the 11 Western States. An effort would be made to distribute the sample in these pilot areas so as to secure information which could be coupled with data from the major wheat producing States on a full operating basis, to provide an indicated national estimate of wheat production.

(2) An increase of \$175,000 for the development of new or improved systems and programming techniques for automatic data processing and for some expansion of research and developmental work on statistical techniques and methods.

Need for Increase: It is imperative to reexamine the data processing operations of SRS in the light of new data collection and processing requirements and the extension of enumerative surveys to Western States which involves special problems associated with the Great Plains, the Inter-Mountain States and highly specialized valleys of the West. The attainment of increased accuracy, timeliness and operating efficiency constitute major objectives of the studies underway.

Automatic data processing is offering challenging opportunities for supplying additional data not possible with older methods. A substantial program of planning and development must precede the adaption of modern electronic equipment to SRS operations in order to attain the economies in dollars, man-hours, and data processing time that can be realized with the new equipment now available.

The long-range program to improve the crop and livestock estimates is moving ahead into additional States. Its full effectiveness will be realized quicker and more economically if increased emphasis is placed on related research and development of advanced statistical techniques and methods. The speed, efficiency, and accuracy of the entire collection and compilation process can be basically improved by putting advanced statistical methods to work as the long-range program expands into additional geographic and commodity areas.

Plan of Work: Intensive analysis and review of systems and programming techniques would be initiated to introduce new data processing methods for economic and statistical services. The work would seek to find ways of extending present equipment possibilities as well as developing methods, programs, and techniques adaptable to a more advanced data processing center. Sufficient evidence is available at this time to justify the conclusion that advanced ADP equipment must be obtained if the full benefits offered by the long-range program are to be realized.

The increase would also permit more emphasis in such areas as research on sampling frames and development of methodology for using area and list frames in combination; development and construction of new sampling materials for more efficient sample designs; design and analysis of general and special purpose surveys -- enumerative and mail -- at national, regional and State levels; and development of objective yield forecasts of such crops as tobacco, sorghum and rice.

STATUS OF PROGRAM

The Statistical Reporting Service was established as a new agency by the Secretary of Agriculture on April 3, 1961. It is the primary data collecting agency for agriculture, being responsible for statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvement, and marketing data surveys.

Work under this appropriation is accomplished through two financial projects: (1) Crop and livestock estimates, and (2) Statistical research and service.

I. CROP AND LIVESTOCK ESTIMATES

Current Activities and Trends: In providing the official estimates on agriculture, basic statistical and economic data relating to food and agriculture are gathered, analyzed, and issued in over 700 reports annually. These data include acreages, yields, production, stocks, value and utilization of farm crops; numbers, production, value and utilization of livestock and livestock products; refrigerated warehouse food stocks; and such related data as prices received and paid by farmers, and farm employment and wage rates.

Thousands of farmers, processors, merchants and others serve as volunteer reporters, and their reports are supplemented by field observations, objective yield measurements and other data to provide the resulting reports issued for public information.

Long range program for developing the Agricultural Estimating Service. The principal goals of this program are to (a) provide additional and improved National and State data, (b) expand agricultural price statistics, (c) expedite the release and distribution of reports, and (d) provide additional data and services needed.

Emphasis on achieving these goals has been continued. The data collection program has been expanded to include additional items, and for established items, to provide not only data in greater detail but also more accurate and timely information. Increased use has been made of enumerative type surveys in scientifically selected areas and of objective yield measurements. These techniques, previously determined necessary in supplementing the less accurate, but relatively low-cost mail questionnaire approach, have resulted in providing a more solid foundation of benchmarks for sampling, estimating, and forecasting.

Electronic processing of data provides efficiencies and increases services. Improved efficiency through processing data by electronic equipment is under constant study and this equipment has been used in an increasing extent when feasible for the job. This equipment has been used in assisting the development of new crop estimating procedures and in improved programs for several lines of work including farm income calculations and poultry inspection reports. A study is being conducted to examine the possibility of a more general approach to a wider variety and to a wider scope of problems, paying particular attention to the integration of operations by means of data processing equipment.

Revised procedures used in objective yield surveys. Questionnaires were prepared in consultation with various interested groups within the Department and with plant specialists in colleges and experiment stations. Technical instructions and reference manuals were prepared for the guidance of State offices and for interviewers and supervisors. Many of the present projects represent extensions of similar work done during the previous year; substantial improvements were made in the questionnaire, survey procedures, and reference manuals. Questionnaires were designed to facilitate using electronic data processing equipment in summarizing the crop and livestock portions of the (June, 1961) interview survey. Listings were pre-edited for Automatic Data Processing punching and the preliminary ADP listings checked against State summaries to reduce repunching check time and provide State sampling error data in time to meet crop and livestock report deadlines. Increased emphasis was placed upon on-the-job supervision to assure uniformity of procedures.

Need for series of market egg prices. Representatives of the Poultry Industry continue to urge strongly that a series of prices for market eggs be published, in addition to or in place of the present series which also includes prices of hatching eggs and eggs retailed by farmers directly to consumers. Hatching eggs and retail eggs both bring relatively higher prices than regular market eggs. Differences between States in the relative importance of these higher-priced egg categories have caused significant differences in levels of State average prices for all eggs. Representatives of the industry, however, believe that they need a measure of relative level and change in prices for market eggs only. A survey of suggested procedure has been made, and consideration is being given to establishing this new price series for market eggs.

Cattle-on-feed report. Additional funds were appropriated for fiscal year 1962 to expand the cattle-on-feed reporting program. A monthly report has been started for Colorado, similar to the California and Arizona report; a quarterly survey in Alabama and Georgia was started, beginning with October 1, 1961; and New York and Maryland were added to the January 1, 1962 survey. The new quarterly and annual data for the additional States was published for the first time in January, 1962.

Selected examples of recent progress:

1. Corn for grain. An improvement in reporting basis was inaugurated in the corn estimating program with the July, 1961 report. The change involves dropping the forecast estimates of "all corn" production and making available the more meaningful "corn for grain" estimates during the current crop year.
2. Pacific Northwest wheat project. The special wheat project was continued in the three Pacific Northwest States. During the year the special quarterly supply and disposition reports have been released as in the past. The project continues to have the solid support of all segments of the wheat industry in the three-State area, as well as other important wheat areas, particularly the Central Plains States.
3. Naval Stores statistics. Tight supplies and relatively high prices of rosin dominated the naval stores situation during the past year and continued the interest in the supply picture reflected in the monthly naval stores report. The annual naval stores report, issued at the end of the crop year,

brought together a summary of monthly production, stocks at all locations, consumption by industries, and related data. Both the monthly and annual reports were widely used and many requests to be placed on the mailing list were received. Several of the larger producers and consumers of naval stores were contacted this year relative to ways and means of compiling reports on actual end uses of rosin.

4. Inauguration of weekly tomato reports in Florida and Texas. A weekly report covering acreage planted and acreage remaining for harvest in Florida and early spring tomato acreage in Texas was started in late calendar year 1960. The report was based on an enumeration of growers to obtain the acreage planted by weeks. Information on progress of harvest was also included in the report starting in March. Comments on the progress of planting, development of the crop, and progress of harvest were also included in the report. Data were collected by weeks, summarized on the following Monday, and released at 3:00 p.m. on Tuesday simultaneously by the offices in Austin, Texas, Orlando, Florida, and Washington, D. C. Speed in releasing this type of data is of utmost importance.

5. Poultry slaughter report. The monthly poultry slaughter report was expanded during fiscal year 1961. Monthly data on average weight per bird by class of poultry inspected and a breakdown of pounds certified between iced and frozen were included in the May 3, 1961 and subsequent reports. Data for all classes of poultry inspected were also included by regions and selected States on average weight per bird, pounds, and percent of poultry condemned (post mortem) and number of birds condemned by cause.

6. Sheep and lambs on feed. Funds were redirected during the past fiscal year for expansion of the sheep on feed program in 7 States to include November 1 and March 1 reports and to make the January 1 report more comprehensive. The States involved are Iowa, South Dakota, Nebraska, Kansas, Texas, Colorado, and California. Data for this expanded program were collected and published starting with November 1, 1960.

7. Lamb Crop. In conjunction with the expanded sheep and lambs on feed program the following changes were made in the lamb program: a report on lambs saved during the previous year was issued in February. The March 1 early lamb situation report was included with the March 1 sheep on feed report and numerical estimates of the early lamb crops were shown for Kansas, Texas, and California. This is the first time actual estimates of the numbers of early lambs have been published. The May 1 early lamb situation report was discontinued.

8. Changes in classification of pork items. Through industry-wide meetings and discussions, a statistical reporting arrangement was adopted to provide the meat packing industry with more detailed and useful information on certain pork cuts in storage. The new classifications provided marketers with monthly data on the quantities of loins, jowls, butts, spareribs, and frozen pork trimmings held under refrigeration each month. In addition, data were gathered delineating between canned hams and other canned meats. Heretofore, these two canned items were combined.

9. Preparation of material for proposed prices paid bulletin. A series of bulletins showing estimates of prices paid by farmers for consumer goods, production goods, and services has been proposed for publication. The first

bulletin of the series relates to United States average prices for the years 1910-60 for commodities and services included in the Parity Index. Considerable progress was made during the past year in preparing tables of United States average prices.

10. Reports issued during calendar year 1961 by the Crop Reporting Board, by commodity groups.

<u>Type of Reports</u>	<u>Number of Reports</u>
Cotton Production	7
Crop Production, including prospective plantings, crop value, annual summaries and seed crops	77
Fruit and Vegetables	83
Milk and Dairy, including 204 issued from Chicago	243
Livestock and Livestock Products, including 13 from the Western Livestock office	72
Poultry and Eggs, including 52 broiler and 52 turkey	177
Miscellaneous Reports	<u>47</u>
TOTAL	706

11. Schedule of Reports. The following schedule shows the release dates for the crop and livestock reports due to be issued in calendar year 1962.

UNITED STATES DEPARTMENT OF AGRICULTURE
STATISTICAL REPORTING SERVICE
CROP REPORTING BOARD

1962

RELEASE DATE CALENDAR

1962

CROP, LIVESTOCK AND LIVESTOCK PRODUCTS REPORTS

Release Hours: Cotton Production - 11:00 A.M. All Livestock Reports Except Commercial Slaughter - 12:00 Noon
Cold Storage Reports - 2:00 P.M. Cranberry Production - 1:00 P.M.
All Other Listed Reports - 3:00 P.M.

DAY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	DAY
1	Holiday	Com. Broiler Prod. in 22 States		Sunday		Poultry Slaughter & Processing	Sunday	Soybean County Estimates; Poultry Slaughter & Processing	Saturday		Poultry Slaughter & Processing	Saturday	1
2			Chickens & Eggs- layers & Egg Prod. Monthly Rev.; Poultry Slaughter & Processing		Poultry Slaughter & Processing	Saturday	Fruits, Non-Citrus Prod., Use & Value, Part II*	Field Seed Stocks	Sunday	Poultry Slaughter & Processing		Sunday	2
3		Saturday	Saturday	Turkeys-Farm Prod. Disp., Cash Re- ceipts, & Gross Income		Sunday	Poultry Slaughter & Processing	Crimson Clover (O) & Farm Stocks of Ryegrass; Tree Nuts-Prod., Use & Value	Holiday		Saturday	Apples by Varieties	3
4	Calery Report; Poultry Slaughter & Processing	Sunday	Sunday	Calery Report	Fruits, Non-Citrus -Prod., Use & Value, Part I*; Calery Report	Calery Report	Holiday	Saturday	Rice Stocks; Calery Report	Calery Report	Sunday	Calery Report	4
5		Shipments of Stock- er & Feeder Cattle & Sheep Into Selected N. Cent. Sta.-Monthly 1961; Calery Report	Broiler Chick- en Placed Weekly-22 States -Rev.; Calery Report		Saturday		Calery Report	Sunday		Citrus Fruits- Prod., Use & Value	Calery Report		5
6	Saturday				Sunday			Calery Report		Saturday			6
7	Sunday			Saturday	Field & Seed Crops- Prod., Disp. & Value		Saturday		Sweetclover Seed	Sunday			7
8				Sunday	Cotton Production (Revisions)	Cattle & Calves on Feed-Colo., Ariz. & Calif.	Sunday	Cotton Production	Saturday	Cotton Production; Money Prod. & Stocks	Cotton Production; Cattle & Calves on Feed-Colo., Ariz. & Calif.	Saturday	8
9		Crop Production; Farm Labor; Veg.-Fresh Market; Cattle & Calves on Feed-Colo., Ariz. & Calif.	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing; Cattle & Calves on Feed-Colo., Ariz. & Calif.		Cattle & Calves on Feed-Colo., Ariz. & Calif.	Saturday	Cotton Production	Redtop, Marion Ky. Bluegrass & Fescue (West. Sta.) Seeds; Cattle & Calves on Feed-Colo., Ariz. & Calif.; Potatoes & Sweet- potatoes-Disp.	Sunday	Red Clover & Alsike Clover Seeds	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Sunday	9
10	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Saturday	Saturday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Sunday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Cotton Production; Cattle & Calves on Feed-Colo., Ariz. & Calif.	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Saturday	Cotton Production; Cattle & Calves on Feed-Colo., Ariz. & Calif.	10
11	Sheep & Lambs on Feed, Jan. 1; Milk Production	Sunday	Sunday	Milk Production	Milk Production	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Milk Production		Saturday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Sunday	Crop Production; Farm Labor; Veg.-Fresh Market	11
12			Milk Production; Layers, Potential Layers, & Rate of Lay, lot of Month Rev.		Saturday	Milk Production			Sunday	Milk Production; Ladino & White Clover Seeds	Holiday	Milk Production	12
13	Saturday	Livestock & Poultry Inventory, Jan. 1; Turkey Breeder Hens, Jan. 1; Milk Production; Potato Stocks	Sheep & Lambs on Feed & Early Lamb Crop; Potato Stocks		Sunday		Orchardgrass & Tall Fescue (South. States) Seeds	Milk Production		Saturday	Milk Production		13
14	Sunday			Saturday			Saturday		Hatchery Prod.; Cold Storage	Sunday	Sheep & Lambs on Feed	Hatchery Prod.; Cold Storage	14
15	Cold Storage	Cold Storage	Cold Storage	Sunday	Annual Naval Stores Cold Storage	Hatchery Prod. Cold Storage	Sunday	Cold Storage	Saturday	Cold Storage	Cold Storage	Saturday	15
16	Hatchery Prod.; Potato Stocks; Onion Stocks	Hatchery Prod.; Fluid Milk & Cream	Hatchery Prod.; (Incl. Rev. by Months); Fluid Milk & Cream	Hatchery Prod.; Cold Storage	Hatchery Prod.	Saturday	Hatchery Prod.; Cold Storage	Austrian Winter Peas & Vetch Seeds	Sunday	Hatchery Prod.; Cattle & Calves on Feed	Hatchery Prod.; Fluid Milk & Cream	Sunday	16
17	Cattle & Calves on Feed (Incl. quarterly Rev.); Turkeys & Chickens Tested	Saturday	Saturday	Cattle & Calves on Feed; Chickens & Turkeys Tested	Turkeys & Chickens Tested; Fluid Milk & Cream	Sunday	Kentucky Bluegrass Seed; Cattle & Calves on Feed; Turkeys & Chickens Tested	Naval Stores; Hatchery Prod.; Fluid Milk & Cream	Turkeys & Chickens Tested	Turkeys & Chickens Tested; Fluid Milk & Cream	Saturday	Turkeys & Chickens Tested	17
18	Bermudagrass Seed; Turkeys-Number Raised Intention; Fluid Milk & Cream	Sunday	Sunday	Naval Stores; Milk Prod., Disp. & Income; Fluid Milk & Cream	Naval Stores	Naval Stores; Turkeys & Chick- ens Tested; Fluid Milk & Cream	Naval Stores; Fluid Milk & Cream	Saturday	Naval Stores; Pig Crop; Fluid Milk & Cream	Naval Stores; Alfalfa & Sudan- grass Seeds	Sunday	Crop Prod.-Annual Summary; Crop Values-Season Av. Price & Value; Annual Sum.-Veg. Fresh & Process.; Annual Sum.-Seeds (Incl. Lespedeza & Mustard); Potato Stocks	18
19	Naval Stores	Naval Stores; Turkeys & Chickens Tested	Prospective Plantings; Naval Stores; Pig Crop; Turkeys & Chickens Tested		Saturday			Sunday		Turkey Breeder Hens Intentions	Naval Stores; Turkeys & Chickens Tested	Winter Wheat & Rye Seedlings; Naval Stores; Fluid Milk & Cream	19
20	Saturday	Calf Crop; Milk Prod. & Dairy Products An. Stat. Summary	Hop Stocks	Veg.-Processing	Sunday	Sour Cherries Prod. & Util.	Calf Crop; Chickens-Number Raised, Prol. Est.; Veg.-Processing	Turkeys & Chickens Tested	Hop Stocks	Saturday			20
21	Sunday	Lamb Crop	Vegetable Seed Acreage & Prod.	Saturday			Saturday	Veg. Seed Stocks; Cranberries Indi- cated Prod.		Sunday		Pig Crop (Incl. Dec. 1 Inventory of Hogs)	21
22		Holiday		Sunday		Pig Crop; Veg.-Processing; Mohair Prices; Wool Prices	Sunday		Saturday		Holiday	Saturday	22
23	Rice Stocks	Peanut Stocks & Process.; Shipments of Stocker & Feeder Cattle & Sheep	Peanut Stocks & Process.; Shipments of Stocker & Feeder Cattle & Sheep		Saturday			Shipments of Stocker & Feeder Cattle & Sheep	Sunday		Peanut Stocks & Process.; Shipments of Stocker & Feeder Cattle & Sheep	Sunday	23
24	Stocks of Grains in All Positions; Peanut Stocks & Process.	Saturday	Saturday	Stocks of Grains in All Positions; Rice Stocks; Chickens & Eggs, Incl. Com. Broilers-Prod., Disp. & Income	Peanut Stocks & Process.; Shipments of Stocker & Feeder Cattle & Sheep; Veg.-Processing	Sunday	Stocks of Grains in All Positions; Peanut Stocks & Process.; Lamb Crop	Peanut Stocks & Process.; Timothy & Bermuda- grass (1962 crop); Seeds; Egg Products- Liquid, Frozen, Solids Prod.	Peanut Stocks & Process.; Shipments of Stocker & Feeder & Cattle & Sheep	Stocks of Grains in All Positions; Rice Stocks; Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Peanut Stocks & Process.	24
25	Egg Products- Liquid, Frozen, Solids Prod.; Shipments of Stocker & Feeder Cattle & Sheep	Sunday	Sunday	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products- Liquid, Frozen, Solids Prod.; Peanut Stocks & Process.	Egg Products- Liquid, Frozen, Solids Prod.	Peanut Stocks & Process.; Shipments of Stocker & Feeder Cattle & Sheep; Egg Products- Liquid, Frozen, Solids Prod.	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products- Liquid, Frozen, Solids Prod.	Saturday	Egg Products- Liquid, Frozen, Solids Prod.	Egg Products- Liquid, Frozen, Solids Prod.; Peanut Stocks & Process.	Sunday	Holiday	25
26	Honey Annual Summary	Egg Products- Liquid, Frozen, Solids Prod.	Egg Products- Liquid, Frozen, Solids Prod.		Saturday		Shorn Wool Prod.	Sunday			Egg Products- Liquid, Frozen, Solids Prod.	Egg Products- Liquid, Frozen, Solids Prod.	26
27	Saturday	Wool Prod.&Value; Mohair Prod. & Value		Meat Animals- Farm Prod., Disp. & Income; Livestock Slaughter- Com. Meat & Lard Prod., Farm & Total Prod.	Sunday	Lupine & Crimson Clover Seeds (Southern States)	Honey-Colonies of Bees, July 1			Saturday		Supply & Disap- pearance of Field Seeds; Shipments of Stocker & Feeder Cattle & Sheep	27
28	Sunday	Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Ryegrass Inten- tions; Poultry Slaughter & Processing	Saturday			Saturday		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Sunday		Certified Seed Potatoes	28
29				Sunday		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Sunday		Saturday		Poultry Slaughter & Processing	Saturday	29
30	Ag'l. Prices		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Holiday	Saturday	Meat Meal & Tankage	Turkeys Raised; Smooth Bromegrass; Orested Wheat- grass & Duntgrass Seeds; Poultry Slaughter & Processing	Sunday		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.	Sunday	30
31	Meat Meal & Tankage; Com. Livestock Slaughter & Meat Prod. Evap., Condensed & Dry Milk; Poultry Slaughter & Processing		Saturday		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.		Ag'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Ag'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk		Ag'l. Prices; Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.		Ag'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	31

* Part I -- Apricots, Sweet & Sour Cherries, Figs, Grapes, Nectarines, Peaches, Pears, Persimmons, Plums, Pomegranates & Prunes.

Part II -- Apples, Avocados, Cranberries, Dates & Olives.

(O)-Oregon

II. STATISTICAL RESEARCH AND SERVICE

Current Activities and Trends. The work under this activity includes review of all statistical forms, survey plans, and reporting and record keeping requirements originating in the Department and needing Bureau of the Budget approval; liaison for coordination of statistics within the Department and with other statistical agencies; general improvement of statistical methods and techniques, development of new methods and techniques, and providing technical consulting services to other agencies of the Department; research on and development of statistical techniques and methods to improve the crop and livestock estimates of the Department; conduct of special surveys relating to the marketing of agricultural products; and systems analysis, computer programming, and consultation on automatic data processing equipment.

Enumeration of Price Data in Ohio. A continuation of the Ohio project both on an operational and research basis, is planned. It is hoped that the primary objective of this project - determining the optimum combination of enumerative and mail surveys - can be realized during the coming year. Analysis of data from the special June, 1961 enumeration of a subsample of mail survey respondents will be useful in pinpointing the reasons for the significant difference between enumerative and mail survey averages which have been observed, which in turn should be helpful in arriving at the optimum mail-enumerative combination. A special effort will be made to develop comprehensive lists of merchants serving farmers. A stratified random sample will be drawn from this list to be contacted by mail. An enumerative follow-up will be made of a random subsample of non-respondents. Data collected from this follow-up enumeration will be included in current tabulations if time permits. Otherwise, the data will be used to provide a basis for estimating averages for the entire universe by regression methods. Determination of costs and time factors of such a procedure will be given special attention.

Women's attitudes toward cotton and competitive fibers. The major purpose of this study of women's attitudes toward fibers was to gain information helpful in charting the direction of laboratory research and in improving cotton's marketing position. Subjects covered include women's ownership of certain items of clothing, their appraisals of fibers for these items and in general, and their experiences with and attitudes toward new developments in cotton, such as dark cottons, special weaves and textures, and easy care. When women were asked their fiber preferences, cotton was either the outstanding fiber or one of the leading contenders for all of the garments studied except knit dresses, where wool was dominant, and whole or half slips, where nylon was the predominant choice. Only 1 woman in 20 felt that wash-and-wear clothes for women were not satisfactory, but 4 in 20 had some criticisms because of what they considered exaggerated claims for such materials. This study has been completed and the final report will soon be issued.

Selected examples of recent progress:

1. Automatic Data Processing. In recent months a concentrated effort has been underway to improve program effectiveness in the areas of data collection, processing, and publication in automatic data processing. The objectives of these efforts, more specifically, are to provide:

- a. Superior methods in operating efficiency, accuracy, and timeliness,

- b. Significant data that are not otherwise obtainable,
- c. Maximum reliability of data, and
- d. Economies in dollars, man-hours, and data processing time.

2. Development of improved forecasts for the yield of irrigated cotton. The fruiting behavior of the cotton plant grown under irrigated conditions is being studied in Arizona, New Mexico, and California. Data now available indicate that cotton grown under irrigated conditions behaves differently from dryland cotton and requires a different forecasting model. The studies now underway will provide information necessary to develop a yield forecasting model comparable to that already developed for the other 10 important cotton-producing States.

3. Electronic computer used for processing survey and objective yield data. To increase the efficiency with which data are tabulated and analyzed, processing of survey and objective yield data was done by electronic computer. The computations of objective yields from plant observations taken at monthly intervals during the growing season were programmed for wheat, cotton, and corn, and programs were written for expanding and analyzing the enumerative surveys.

4. Statistical clearance and consultation. In serving as the designated Department's liaison between the Bureau of the Budget and all agencies of the Department, 561 requests for clearance of forms and reporting requirements were received during fiscal year 1961. Consultation with the Bureau of the Census, Bureau of Labor Statistics, and other statistical agencies is being carried on to facilitate coordination and improvement of statistical programs. This work also entails the preparation of special reports concerning the Department's statistical activities, and participation in special seminars and workshops for the improvement of survey methods.

5. Market possibilities for super-concentrated apple juice studied. A super-concentrated apple juice, developed by the Eastern Utilization Research and Development Laboratory, was market-tested in Fort Wayne, Indiana. Approximately six weeks after the promotional campaign for the new product, sponsored by the apple industry cooperators, a consumer survey was conducted to gather information about consumer use of and attitudes toward the test juice. A majority of the purchasers of this product were not currently using other processed apple juice, and it was well received by those consumers.

6. Attitudes toward Food Stamp Plan studied. Attitudes toward pilot operations of the Food Stamp Plan are being studied in McDowell County, West Virginia, and in Detroit, Michigan. Food trade personnel, welfare workers, officials administering the program, eligibles, and the "general public" are being asked to give their opinions of the plan and suggestions for improvements or modifications.

7. Yield forecasts on sour cherries. Efficient sampling procedures for estimating cherry fruit numbers have been worked out. On about one-twentieth of each of three trees per sample orchard, fruit counts are made. With the present sample of 135 orchards, an estimate of fruit per tree is provided that has a coefficient of variation of about 6 percent. Early season counts while the fruit is small and green are tedious to make. The spur is the sampling unit and fruit per spur is estimated by a subsample. There were minor

difficulties with the spur count last year. The difficulty seemed to be in distinguishing between fruiting and nonfruiting spurs. Although on a semi-operating basis, this work will continue as a research project and efforts will be made to improve counting accuracy and to study fruit growth.

8. Soybean Yields in the North Central States. No satisfactory method of forecasting bean weight has been discovered. An average of bean weights from past seasons is about as good on August 1 and September 1 as a forecast based upon current observations by any method yet devised. However, a study is being made of the relationship between moisture content and bean weight in the hope that immature bean weight can be related through moisture content (as a measure of maturity) to bean weight at maturity. The methods devised for forecasting pod and bean numbers seem to be working fairly well.

9. Selected factors on food consumption. A pilot study on the effect of selected factors on food consumption was carried out in several cities in Pennsylvania to examine the effect of such characteristics as nationality, education, occupation, and related social factors on food habits and attitudes. Knowledge of these relationships will be of value in directing consumer education designed to shift existing patterns of consumption. Analysis is now underway; the amount of detail collected has slowed progress. The final report on this study will be published by the Pennsylvania State University.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1961, were actually received or programmed for 1962 or 1963. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1961	Estimated Obligations, 1962	Estimated Obligations, 1963
Allotments from:			
Consolidated Working Fund, General,			
Agriculture for expenses in connec-			
tion with the Area Redevelopment			
program.....	--	\$ 4,500	--
Allocations and Working Funds (Advances			
from other agencies):			
Department of Agriculture:			
Commodity Credit Corporation			
(Capital funds):			
National Wool Act of 1954.....	\$58,976	--	--
(Administrative Expenses):			
Crop reports and services in con-			
nection with price support programs.	97,279	--	--
Agency for International Development:			
Training services.....	114,390	108,950	\$108,950
Technical consultation and support.....	14,812	--	--
Administrative expenses.....	6,151	6,400	6,400
Total, Agency for International			
Development.....	135,353	115,350	115,350
Emergency Funds for the President,			
National Defense for expenses in connec-			
tion with the Area Redevelopment program	1,905	--	--
Total, Allocations and Working Funds.....	293,513	115,350	115,350
Trust Funds:			
Miscellaneous Contributed Funds for			
determining supplies of agricultural			
products.....	966	--	--
Obligations under Reimbursements from			
Governmental and Other Sources:			
Salaries and expenses	250,214	1,240,290	627,290
TOTAL OBLIGATIONS UNDER ALLOTMENTS AND			
OTHER FUNDS.....	544,693	1,360,140	742,640

PASSENGER MOTOR VEHICLES

The 1963 estimates provide for the replacement of 6 passenger motor vehicles.

The Statistical Reporting Service's passenger vehicles are all located in the field at various State offices. They are used primarily by professional statisticians, supervisory enumerators and other field employees in conducting enumerative surveys and related work in connection with the preparation of crop and livestock estimates. The use of common carriers in this type of work is obviously not satisfactory in that it is frequently necessary to visit within a short period of time numerous farms and various commercial establishments within a specified geographical area.

The Service adheres to the standards prescribed by the General Services Administration with respect to replacements, i.e., that the vehicles be at least six or more years of age or driven 60,000 miles or more, and other factors.

The 6 passenger vehicles proposed for replacement currently meet the "60,000 mile - 6 year" standard indicated above. Additional vehicles will also meet this standard by the time orders for these 6 cars requested can be placed. In consideration of the planned intensified program activity with continued expansion in enumerative surveys and related work, it is essential that the older and higher mileage vehicles be replaced.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1961 is as follows:

Age Data			Mileage Data		
<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1956 or older	3	12	80-100	3	12
1957	6	23	60-80	7	27
1958	4	15	40-60	6	23
1959	6	23	20-40	6	23
1960	4	15	Under 20	4	15
1961	3	12			
Total	<u>26</u>	<u>100</u>	Total	<u>26</u>	<u>100</u>

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established November 2, 1953 under authority of Section 161, Revised Statutes (5 U.S.C. 22), Reorganization Plan No. 2 of 1953, and other authorities. The Service aids in advancing the orderly and efficient marketing and the effective distribution of products from the Nation's farms. The domestic marketing and distribution functions of the Department are centered in this Service.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Research and Service. These activities contribute to the efficient and orderly marketing of agricultural commodities and include:
 - a. marketing research directed toward the development of practical answers to problems encountered in moving agricultural products from the farm to the consumer relating to improved product quality, and improved equipment and facilities;
 - b. market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products;
 - c. poultry inspection to assure that all poultry products moving in interstate and foreign commerce are wholesome;
 - d. inspection, grading, classing, and standardization services to develop standards of quality and condition for agricultural commodities and to use them in providing an impartial inspection, classing, and grading service;
 - e. regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices, and to provide assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
2. Payments to States. The Service administers the matched fund program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.
3. Special Milk Program. Assistance is provided to States for making reimbursement payments to eligible schools and child-care institutions which inaugurate or expand milk service in order to increase the consumption of fluid milk by children.
4. School Lunch Program. Federal assistance is provided to States, Puerto Rico, Virgin Islands, and Guam for use in serving nutritious midday meals to children attending schools of high school grades or under in order to improve the health and well-being of the Nation's children, and broaden the market for agricultural food commodities.

5. Removal of Surplus Agricultural Commodities and Marketing Agreements and Orders. These activities directly or indirectly tend to maintain prices received by farmers and establish and maintain orderly marketing conditions through -
 - a. removing from the market surplus agricultural commodities through purchase and donation to eligible recipients, export and diversion payments, and distribution of Commodity Credit Corporation donated commodities to eligible outlets authorized under Section 416;
 - b. administration of marketing agreements and orders relating to fruits, vegetables, and tree nuts. (Those relating to milk and other commodities are assigned to the Agricultural Stabilization and Conservation Service);
 - c. cooperation with the food trade and others to encourage greater consumption of abundant foods.
6. Food Stamp Program. This program, operating on a pilot basis in fiscal year 1962, is aimed at increasing domestic consumption of agricultural commodities by providing increased purchasing power to needy persons through issuance of food coupons.
7. Research under section 104(a) and (k) of P.L. 480. The Service reviews and appraises for technical adequacy Agricultural Marketing Research projects beneficial to the United States which can be advantageously conducted overseas through grants and contracts with foreign research institutions and universities. These projects are carried out through the Agricultural Research Service under the authority of sections 104(a) and (k) of Public Law 480, the Agricultural Trade Development and Assistance Act of 1954, as amended. A discussion of this activity is included in these Explanatory Notes under the appropriation "Salaries and expenses (Special foreign currency program), Agricultural Research Service."
8. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State and private agencies, on a reimbursable or advance payment basis. These include among others the Agency for International Development sponsored foreign visitor training program.

A large part of the program of the Agricultural Marketing Service is carried on through field branch offices of the several Washington commodity and functional divisions in over 200 cities and towns in the various States, Puerto Rico, and Canada.

On November 30, 1961 there were 7,652 full-time employees, distributed about 1,276 in the D. C. metropolitan area and the remainder in the field. In addition, there were 1,311 part-time and intermittent employees, primarily in the field. A substantial portion of Agricultural Marketing Service employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangements with States and private cooperators.

	<u>Appropriated, 1962</u>	<u>Budget Estimates, 1963</u>
Appropriated funds:		
Marketing research and service	\$38,269,500 <u>a/</u>	\$40,335,000
Construction of facilities	- -	1,600,000
Payments to States and Possessions	1,325,000	1,325,000
Special milk program	105,000,000 <u>b/</u>	105,000,000
School Lunch program <u>c/</u>	<u>170,000,000</u>	<u>170,000,000</u>
Total, excluding permanent appropriations	<u>314,594,500</u>	<u>318,260,000</u>

a/ Excludes estimated supplemental of \$450,000 for poultry inspection.

b/ Financed through advances from Commodity Credit Corporation. The Agricultural Act of 1961 changes financing to direct appropriation beginning July 1, 1962.

c/ Includes transfers of \$45,000,000 in 1962 and 1963 from Section 32 funds for purchase of agricultural commodities for distribution to schools participating in the national school lunch program.

Summary of Appropriations, 1962, and Estimates, 1963

Appropriation Item	: Estimated Available, 1962	: Budget Estimates, 1963	: Increase (+) or Decrease (-)
Marketing research and service ...	: a/ \$38,269,500	: \$40,335,000	: +\$2,065,500
Construction of facilities	: - -	: 1,600,000	: +1,600,000
Payments to States and Possessions :	: 1,325,000	: 1,325,000	: - -
Special milk program	: b/ 105,000,000	: 105,000,000	: - -
School lunch program c/	: 170,000,000	: 170,000,000	: - -
Perishable Agricultural Commodities:	:	:	:
Act fund (permanent) d/	: 693,210	: 693,210	: - -
Removal of surplus agricultural commodities (30% of customs receipts-permanent) e/	: 272,667,607	: 274,000,000	: +1,332,393
Total	: 587,955,317	: 592,953,210	: +4,997,893
Deduct permanent appropriations (shown in detail above)	: 273,360,817	: 274,693,210	: -1,332,393
Total, (excluding permanent appropriations)	: 314,594,500	: 318,260,000	: +3,665,500

- a/ In addition, the 1963 Budget includes an anticipated supplemental of \$450,000 for 1962 for poultry inspection.
- b/ Financed through advances from Commodity Credit Corporation. The Agricultural Act of 1961 (75 Stat 319) changes financing to direct appropriation beginning July 1, 1962.
- c/ Includes \$45,000,000 transfer from "Removal of Surplus Agricultural Commodities" in fiscal years 1962 and 1963 respectively.
- d/ In addition, an unobligated balance of \$243,664 is available in fiscal year 1962, and \$107,874 is estimated to be carried forward in 1963.
- e/ Excludes transfers out of \$53,159,000 and \$50,000,000 in 1962 and 1963 respectively. In addition, an unobligated 1961 balance of \$300,000,000 is available in fiscal year 1962 and \$300,000,000 is estimated to be carried forward into 1963.

(a) Marketing Research and Service

Appropriation Act, 1962	\$38,039,500
Transfer from "Removal of Surplus Agricultural Commodities" for increased travel costs	+285,000
Transfer to "Operating Expenses, Public Buildings Service, General Services Administration, 1962" for space rental	-55,000
Base for 1963	<u>38,269,500</u>
Budget Estimate, 1963	<u>40,335,000</u>
Increase	<u>+2,065,500</u>

SUMMARY OF INCREASES, 1963

For extending coverage, modernizing operations and strengthening the Market News Service	+232,500
For developing new and revising existing quality standards and specifications for agricultural commodities	+168,700
For strengthening supervision of grain grading under the U.S. Grain Standards Act	+165,000
To provide for the expected increased volume of mandatory poultry inspection	+970,000
For reimbursing the Federal Employees' Compensation Fund for payments made during 1961	+2,300
For limited expansion of food management and related civil defense activities	+50,000
For strengthening testing of seed as to variety labelling as required by the Federal Seed Act and for more adequate Federal contribution to the Federal-State laboratory at Sacramento, California	+47,000
To provide more effective administration of the Packers and Stockyards Act	+370,000
To step up the frequency of examinations of an increasing number of licensed warehouses	<u>+60,000</u>
TOTAL	<u>+2,065,500</u>

PROJECT STATEMENT

Project	1961	1962 (estimated)	Increases	1963 (estimated)
1. Marketing research	\$4,206,614:	\$4,759,000:	- - :	\$4,759,000
2. Market news service:				
a. Cotton and cottonseed	466,020:	480,595:	- - :	480,595
b. Dairy and poultry products	929,868:	978,390:	+\$30,000:	1,008,390
c. Fruits and vegetables	1,490,710:	1,543,165:	+125,000:	1,668,165
d. Grain, hay, feed, etc.	329,410:	331,230:	- - :	331,230
e. Leased wire service ..	431,852:	504,390:	+50,000:	554,390
f. Livestock, meats & wool:	1,307,236:	1,356,410:	+27,500:	1,383,910
g. Naval stores	22,655:	24,395:	- - :	24,395
h. Tobacco	225,237:	235,750:	- - :	235,750
Total, Market news service	5,202,988:	5,454,325:	+232,500(1):	5,686,825
3. Inspection, grading, class- ing and standardization:				
a. Cotton and cottonseed	2,633,673:	4,436,235:	- - :	4,436,235
b. Dairy products	75,145:	75,870:	+25,000:	100,870
c. Fruits and vegetables	794,367:	801,910:	+40,000:	841,910
d. Grain (U.S. Grain Standards Act)	2,225,138:	2,289,214:	+205,000:	2,494,214
e. Livestock meats & wool	340,997:	348,665:	+45,000:	393,665
f. Naval stores	29,776:	32,787:	- - :	32,787
g. Poultry products grad- ing	271,303:	275,494:	- - :	275,494
h. Poultry products in- spection	12,002,629:	13,117,061:	+970,000:	14,087,061
i. Rice, hay, beans, etc.	79,651:	79,381:	+18,700:	98,081
j. Tobacco	2,063,627:	3,068,413:	- - :	3,068,413
k. Employees' Compensation Fund	- - :	- - :	+2,300:	2,300
l. Food management plan- ning & related civil defense activities	- - :	- - :	+50,000:	50,000
Total, Inspection, grading, classing & standardiza- tion	20,516,306:	24,525,030:	+1,356,000(2):	25,881,030
4. Regulatory activities:				
a. Federal Seed Act	359,560:	358,815:	+47,000:	405,815
b. Naval stores and tobacco export permits .	20,199:	21,000:	- - :	21,000
c. Packers & Stockyards Act	1,687,608:	1,854,660:	+370,000:	2,224,660
d. Standard Container Acts:	12,374:	13,700:	- - :	13,700
e. Warehouse Act	932,518:	962,570:	+60,000:	1,022,570
f. Freight rate services	187,314:	204,000:	- - :	204,000
g. Perishable Agricultural Commodities, Produce Agency and Export Fruit Acts	27,800:	33,400:	- - :	33,400
Total, Regulatory activities	3,227,373:	3,448,145:	+477,000(3):	3,925,145

(Continued on next page)

Project	1961	1962 :(estimated)	Increases	1963 :(estimated)
5. Administration & coordination of State payments	69,770:	83,000:	- -	83,000
Subtotal <u>a/</u>	33,223,051:	38,269,500:	+2,065,500	40,335,000
Unobligated balance	811,014:	- -	- -	- -
Total available or estimate ..	34,034,065:	38,269,500:	+2,065,500	40,335,000
Comparative transfers:				
To "Salaries and expenses, Economic Research Service" ..	+5,085,430:	- -		
To "Salaries and expenses, Statistical Reporting Service"	+8,101,405:	- -		
From "Removal of Surplus Agricultural Commodities"	- -	-285,000:		
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration"	- -	+55,000:		
Total appropriation or estimate:	47,220,900:	38,039,500:		

a/ Represents obligations. Applied costs for 1961 are \$33,236,626. The difference of \$13,575 reflects the excess of miscellaneous services over orders placed in that year.

INCREASES

(1) An increase of \$232,500 under the project "Market News Service" to provide for modernization, improvements and expansion of the Federal-State market news system.

Reliable current market information is essential to effective, orderly marketing of farm products. Market news gathered and reported by the Department is disseminated through various media, including radio and television, daily newspapers and mimeographed releases. Marketing plans of growers, sellers and buyers of farm products in every State are affected by these market reports.

Market news can continue to be accurate and most useful only if adequate coverage is provided and timely reports issued. The service must keep pace with changes in the marketing structure, in marketing patterns, in market centers, and in methods of transporting, handling and merchandising farm products.

In its report on the 1962 Appropriation Bill for Agriculture, the House Committee on Appropriations referred to the need in certain areas of the market news service with the following statement:

"The Department should also consider the feasibility of including market news information on other commodities not now covered where they are of sufficient importance. The need for additional information on truck unloadings of fruits and vegetables should also be given further review in this connection".

The increase would provide:

(a) \$95,000 for expanding the report on truck movement of fruits and vegetables.

Need for Increase: The highly perishable nature of fresh fruits and vegetables makes dependable daily information on current national supplies essential. Extensive changes in the mode of transportation of these commodities from rail to motortruck during the past 15 years have created the need for more complete day-to-day coverage of the movement by rail and motortruck to consuming areas. This broader coverage would indicate more accurately conditions relating to competing areas and promote more intelligent marketing and planning.

Truck receipts in 41 cities now covered. On the basis of a national research project study on fruit and vegetable transportation reporting expansion of current truck receipt reports has been determined to be the best means of providing dependable current national supply trends. This type of coverage has been expanded during the past seven years from a 24-city report to 41 cities. It is estimated that these unloads in 41 cities represent approximately 60% of the national movement in wholesale channels having a value of \$5 million to \$7 million daily. While this is a sizeable representation, expansion of coverage to a larger group of cities would provide broader volume and more especially better geographic coverage, thereby indicating truer national supply data.

Expansion to additional cities needed for more complete report. To provide essential data on (1) greater movement from areas shipping almost entirely by motor truck; and (2) geographical distribution of produce from competing production areas, the report should be expanded to additional cities in areas not now adequately reported.

Plan of Work: Data on 20-25 additional cities would be added to the current report. The report would then reflect about 70% of the national movement of fruits and vegetables. Cities would be chosen from the following list, depending on the circumstances at the time funds become available:

San Diego, California
San Bernardino, Calif.,
Tampa, Florida
Dayton, Ohio
Columbus, Ohio
Phoenix, Arizona
San Jose, Calif.
Rochester, New York
Syracuse, New York
Norfolk, Va.
Hartford, Connecticut
Akron, Ohio
Youngstown, Ohio
Oklahoma City, Oklahoma
Sacramento, Calif.
Allentown, Pa.
Springfield, Mass.
Omaha, Nebraska
Toledo, Ohio

Wilkes Barre, Pennsylvania
Harrisburg, Pennsylvania
Canton, Ohio
Bridgeport, Connecticut
Worcester, Massachusetts
Orlando, Fla.
Mobile, Alabama
El Paso, Texas
New Haven, Conn.
Beaumont, Texas
Lansing, Michigan
Bakersfield, Calif.
Peoria, Illinois
Shreveport, Louisiana
Johnstown, Pa.
Chattanooga, Tennessee
Spokane, Washington
Duluth, Minnesota
Lancaster, Pa.

Jacksonville, Florida
Tulsa, Oklahoma
Richmond, Virginia
Flint, Michigan
Fresno, Calif.
Knoxville, Tennessee
Wilmington, Delaware
Grand Rapids, Michigan

Reading, Pennsylvania
Charlotte, North Carolina
Davenport, Iowa
Trenton, New Jersey
Des Moines, Iowa
Tucson, Arizona
Albuquerque, New Mexico
Charlestown, West Virginia

Additional comprehensive information would be made available on the geographical origin and distribution of produce, particularly in seasonal areas where significant variations from season to season affect both the volume and destination of marketings.

(b) \$50,000 for further modernization of the Leased Wire Service.

Need for Increase: Effective inter-market assembly and dissemination of market data is dependent upon an expeditious and adequate communications system. During the past several years adjustments have been made in the leased wire facilities which have made for considerable improvement in efficiency of operation.

However, even with these changes, the service today is not abreast of the pace of expanding market areas, new and expanding producing sources, changing patterns of marketing, and the effect of greatly improved shipping by truck and rail facilities. The pressure of these forces has resulted in trade demands for faster and wider dissemination of market information.

To respond to this demand, complete basic re-designing of the leased wire service is needed. The present network extends over 13,000 miles of leased teletype lines and consists of nine circuits, organized primarily on a geographic basis. These circuits connect 139 locations throughout the country. Interchange of market information between any or all locations serviced by this network is performed at four relay centers. The network is operated by a combination of automatically-and manually-functioning equipment. The unrelenting demand for timely, unbiased, Federal-State market information requires that these facilities be improved and expanded.

The network needs to be re-designed on the principle that market information should flow constantly and as rapidly as each report is available.

The circuits need to be re-aligned, insofar as possible, to connect offices having common commodity interests. Such an arrangement would permit expansion of market reporting with minimum circuit time requirement and would also sharply reduce waste in effort and material at offices receiving market reports in which there is no interest.

Modern equipment needs to be installed. Modern equipment and capabilities offer the means for attaining greater speed and a much higher degree of efficiency in this field. Advancements in electronics have made it feasible and practical to rely on automatic or semi-automatic devices to select and send data. In order to provide the users of the market news service with the most efficient service possible these technological advances need to be utilized.

This plan is flexible. It would be readily adjustable to the future needs of the Service and would greatly relieve market reporters of the heavy burden they carry in the present method of transmitting data.

Plan of Work: The increase requested for 1963 would cover the cost of effectuating a portion of this proposal--that of re-aligning 2 of the existing circuits. The Eastern and Central circuits, presently arranged on a geographic basis, would be re-arranged to a primarily commodity basis.

(c) \$75,000 for extension and improvement of Federal-State and production area reporting.

Need for Increase: In the changing marketing structure for agricultural commodities, relatively increasing significance attaches to transactions taking place in the producing areas in all commodity fields. This has placed establishment of market values closer to areas of production. Direct buying by chain stores, the rise of the auction markets, "vertical integration", the facility of movements by motor truck -- whether cause or effect -- are indicative of this change.

The Market News Service, initiated as it was when wholesale trading in agricultural commodities was conducted practically in its entirety at terminal markets, has also had to undergo considerable change in relative emphasis and scope of its activities.

Although importance of market news coverage of transactions in many of the large urban centers has not necessarily diminished in absolute terms, in relative terms such coverage provides only a part of the necessary data for many commodities.

In accordance with standards established in 1950 for financing the market news service as between Federal and State funds, production area reporting of production area buying and shipping point transactions is generally a Federal-State cooperative venture. This is due to the fact that sales made on farms, feed lots or at country points generally reflect prices which are of broad regional significance rather than national significance. In some instances, however, the data at these points are of national significance and would be financed wholly from Federal funds.

States Contribute to Cooperative Services. States are contributing between 25% and 30% of the total cost of the service, but a much larger proportion of the production area coverage. Considerable progress has been made in recent years in arriving at understandings with the States with respect to suitable joint Federal-State financing arrangements. In some instances where State contributions are below the minimum required, States are taking positive steps toward acquiring, through their State legislatures, the funds with which to meet their proportionate share of these joint costs.

To facilitate effective Federal-State relations and to prevent delays in moving forward on these programs when and as State funds are available, it is essential that Federal funds be available promptly to meet the Federal responsibility.

Further, many of these production area reporting programs, particularly in fruits and vegetables, operate seasonally. The period of service fluctuates from year to year depending upon the length of the marketing season. Funds need to be available to meet the costs of providing service for unexpectedly extended marketing periods.

Similarly, funds need to be available to meet minor program adjustments such as in areas of coverage for commodities whether the particular activity is financed Federally or on a Federal-State basis. Such changes, although small in terms of funds required can provide significant facts to add to the market data already available.

Plan of Work: The increase requested would be used (1) to meet the Federal responsibility in connection with needed Federal-State reporting services for which the States are expected to have funds available in fiscal year 1963 and (2) for effectuating necessary adjustments in programs which vary seasonally.

This proposal visualizes sitting down with representatives from State departments of agriculture and working out necessary and mutually acceptable arrangements as State funds become available. Advance assurance of some Federal funds for this purpose will strengthen the position of the Federal Market News Service in negotiating with States by assuring that the available State funds are utilized for market news which will complement and supplement the national program.

Because of differing fiscal years and timing of appropriations, as between Federal and State governments, the specific reporting coverages and the States with which revised reporting arrangements will be consummated in fiscal year 1963 cannot be listed with certainty in advance.

(d) \$12,500 for reinstatement of the Midwest carlot meat report.

Need for Increase: Semi-weekly reports on carlot meat sales in the Midwest, provided since April 1960 as a research project, were discontinued on September 1, 1961. The report filled an urgent need and should be re-instated on a continuing basis.

Livestock producers need meat sales data. Direct buying of livestock in producing areas has increased livestock producers' need for information on carlot meat sales. The need is especially acute in the Midwest which accounts for about 40% of the total U.S. meat production.

Financing is a Federal responsibility. The data carried in these reports are of national significance and thus fall in Category I of the Market News financing plan. Therefore, the total annual cost of \$25,000 should be borne by Federal appropriation.

Half of total need appropriated in 1962. The Conference Report on the 1962 Appropriation Bill for Agriculture carried the following item:

"\$12,500 for the Midwest carlot meat trades reports, such amount to be matched by funds from State or private sources."

The Department has attempted to carry out the directive of Congress by writing to the States involved in this project setting forth the financing requirement imposed by the directive. States have reported funds are not available.

Balance of \$12,500 requested for 1963 as Federal appropriation. In view of the States' responses and more particularly because the report is unquestionably one of national significance, an additional \$12,500 is needed to combine with the similar amount appropriated in 1962 for a total of \$25,000 to reinstate this Category I service.

(2) An increase of \$1,356,000 under the project "Inspection, grading, classing and standardization" consisting of:

(a) \$168,700 for development and maintenance of quality standards for agricultural commodities.

Need for Increase: The effectiveness of the entire Federal-State inspection and grading program as a factor in orderly and efficient marketing of agricultural products is predicated upon appropriate and adequate official U. S. standards and grades for the commodities inspected and graded. The job of appraising the need for new or the revision of existing standards to meet current needs is a continuing one.

Standards must reflect advances in food production and marketing techniques. New and revised grades and standards are necessary to keep abreast of new prepared products, changing production, marketing and merchandizing practices, technological advances and quality control practices and to serve as useful and realistic tools of the inspection and grading program under current marketing conditions. Many new prepared products, or convenience foods, are constantly coming into commercial production on a large scale.

The continued increase in the use of Federal grades in marketing emphasizes the need for more precise and objective measurement and application of grade standards. Results of research need to be incorporated into the standardization program.

Expanded standardization work is needed for dairy products, fruits and vegetables, grain and livestock products. The value of the inspection service to growers, shippers, processors and buyers, is contingent largely on the validity of U.S. grades and on the uniformity with which these standards are applied by inspectors across the nation.

Standardization activities lag behind need. The standardization activity as such is an area that has lagged behind other marketing services in the past several years. Although results of marketing research have identified problems and pointed up means of solution or directions which must be taken, the actual application of these results into development of new and revised standards has fallen far short of the need. We know what needs to be done, but we have not had the wherewithal to do it.

The delineation of quality elements in simple and useful terminology; the promulgation and adoption of acceptable standard descriptions; the development of written, visual and physical models; the development and standardization of reliable methods for application of standards to given products; and the demonstration of the application of these criteria are all integral parts of this activity. Work in each area needs to be expanded and intensified to the end that ultimately a meaningful, usable set of standards and specifications will form a strong foundation for the inspection and grading program.

Plan of Work: To the extent possible, work would be conducted with interested individuals and industry groups in reviewing and developing more precise and objective quality standards for agricultural products, including dairy products, certain fruit and vegetable products, grain and livestock products.

Grade factor data would be gathered on the various commodities to properly appraise the apparent need for new and revised standards. Studies would be conducted into the relationship of standards to characteristics which are of importance in the light of existing uses and new uses being developed both in this country and abroad.

More assistance in interpreting and applying standards would be given market news and grading programs. More informational material would be developed concerning standards and quality programs and their use and value to industry and consumers.

More educational and liaison work would be conducted with industry, consumers, State regulatory officials and other interested persons in order to adapt standards more closely to needs and to achieve better understanding and coordination.

These needs have been accumulating as a result of the increasing importance of market news and grading in the marketing of agricultural products, changes in marketing, merchandizing development of new products, quality control practices, needs of government procurement agencies, and increased industry and consumer interest in standardization and quality improvement.

(b) \$165,000 for strengthening supervision of grain grading under the U. S. Grain Standards Act.

Need for Increase: More than seven billion bushels of grain were inspected in fiscal year 1961 -- an increase of more than one billion bushels over that of 1960. Initial inspections are performed by Federally licensed inspectors who are employed by State or private organizations. These licensees determine the grade of the grain on the basis of standards developed by the United States Department of Agriculture. The U.S. Grain Standards Act requires that grain sold by grade and moving in interstate or foreign commerce be graded according to U. S. standards. The Act requires also that adequate Federal supervision of these licensees be provided to assure buyers, both here and abroad, that all grain sold under Federal grades complies with the Federal standards of quality.

Appeal inspections a Federal function. In addition to its responsibility for establishing standards and supervising the work of licensees, the Federal department makes inspections on appeal of any interested party who is dissatisfied with the grade assigned by the licensee.

Present staffing, facilities, and available operating funds are insufficient to handle the workload to assure accurate and uniform grading of grain by licensees at interior points; and to permit the supervision coverage needed of export loadings of grain.

Realignment of Federal grain inspection field organization. To utilize available facilities more effectively, the Department on September 5, 1961 announced a realignment of the field offices engaged in this work. The field responsibility for supervision of licensees has been decentralized to facilitate inspection operations and to provide closer supervision over licensees.

Additional funds appropriated in 1962. The Congress, in the 1962 Appropriation Act, provided \$50,000 "to strengthen supervision of U. S. grain grading." This amount is being used as a further aid in the orderly solution of the problem.

Grain exports at an all-time high. All previous records of grain exports were exceeded in calendar year 1960, with an increase of 11.5% over 1959. New export elevators have recently started operating or are to begin operating at six different locations. Existing facilities are being enlarged also on the Gulf and the Columbia River. Addition of new or expanded facilities, whether at seaboard or inland, creates further problems with the result that the Federal inspection staff is spread so thin that it is impossible to adequately cover the work of licensees.

The following illustrates the situation at ports:

<u>Year</u>	<u>Number of Federal Supervisors</u>	<u>Bushels inspected for export (mil.)</u>	<u>Millions of bushels supervised per man</u>
1939	86	163.0	1.9
1959	91	972.6	10.7
1960	94	1,084.4	11.5
1961 <u>a/</u>	99	1,096.2	11.7

a/ 11-Months only -- January through November.

World grain market is quality-conscious. The United States is competing in a world grain market which is becoming increasingly quality conscious. United States competitors, by emphasizing the quality of grain they deliver, are steadily improving their relative positions. Increased surveillance by the Department is imperative if U. S. grain is to meet competition in the world market. Therefore, it is necessary that in the next few years sufficient funds and manpower be provided for complete Federal supervision of all grain exported from the United States. It is currently estimated that this will require the addition of 94 technical employees over a period of four years.

Plan of Work: A program of improvement has been developed, which over a period of years, would accomplish the following:

1. New and enlarged grain storage facilities at several inland points and on the Gulf, and Columbia River would be given closer Federal supervision.
2. More effective and efficient supervision and more equitable appeal services at markets would be provided. Federal grain inspectors would provide coverage of licensed operations and prompter appeal services in their geographic areas. Grain handling and processing facilities have expanded considerably in the last few years with resulting changes in the traffic pattern of grain movement. The increased staff would provide the needed flexibility in both supervision and appeal services at as many of these facilities as possible.
3. Coverage would be extended to grain being moved by barge into the Tennessee River Valley and trans-shipped by truck and rail into the broiler production areas of the Southeast.

The increase requested for 1963 would permit the addition of 16 technical employees to the present staff--the first step toward the completion of adequate Federal staffing. Additional grain technicians would be placed at strategically located inspection points, both port and interior, to provide the necessary supervision and appeal inspection work.

(c) \$970,000 to provide for the expected increased volume of mandatory poultry inspection.

Need for Increase: The Poultry Products Inspection Act requires the Department to inspect all poultry and poultry products moving in interstate and foreign commerce.

Increased production swells inspection workload. Based on presently available statistical information, approximately 280 million more head of young chickens and thirteen million more head of turkeys will be processed in official establishments in the fiscal year 1962 than during 1961. The 1962 budget was predicated on the assumption that the inspection workload could be covered with the level of funds available in 1961. After the 1962 estimate was formulated, it became increasingly evident that the amount appropriated would not be enough to meet the cost of carrying out the Department's responsibilities under the Act in 1962.

It was estimated early in the fiscal year that to provide inspection for this increased workload in 1962 will require \$723,000 more than the appropriation for this program exclusive of funds appropriated for reclassification of veterinarians. Accordingly, funds for 1962 were apportioned on a basis reflecting the need for a Supplemental Appropriation in the amount of \$650,000. The balance of the increased cost would be absorbed through non-recurring savings resulting from the delay in effectuating the reclassification of veterinarians.

The Speaker of the House of Representatives and the President of the Senate were sent identical letters by the Budget Bureau on August 18, 1961 reporting the apportionment in this manner, and pointing out that any request for a supplemental appropriation would be thoroughly examined in light of circumstances prevailing at the time. Accordingly, the Department is continuing to analyze the poultry inspection program so as to provide service as required at a minimum cost.

The estimated supplemental appropriation required has now been revised to \$450,000, due primarily to additional savings in 1962 from further delays in fully implementing the veterinarian reclassifications.

1962 trend expected to continue. Based on trends in recent years, poultry production can be expected to continue to increase. Present estimates are for production in 1963 about 17% above 1961. This forecast of increased production and the increase in plant facilities will require additional inspectors. Federal inspectors must be on hand to inspect any poultry handled in plants which process poultry for sale in interstate or foreign commerce.

The net effect of lack of inspection service would be exposure of consumers to health hazards of uninspected and potentially unwholesome poultry, destruction or loss of product, financial loss to producers of live poultry and to plants, business failures or closing of plants with consequent increase in unemployment and general disruption in the production and marketing of poultry and poultry products.

Plan of Work: The increased staff will (1) provide additional inspection in present plants known to be increasing their processing capacity by the addition of lines; (2) staff new plants known to be under construction; and (3) provide additional inspectors' time in seasonal plants which extend the period of operation to handle increased volume.

The table which follows reflects workload and costs for fiscal years 1960-1963:

Workload Data
F. Y. 1960 to 1963

	: 1960	: 1961	: 1962 Current	: 1963
	: Actual	: Actual	: Estimate	: Estimate
Inspected production	:	:	:	:
(million lbs.)	: 6,973	: 8,236	: 9,294	: 9,626
Total plants under in-	:	:	:	:
spection June 30	: 777	: 949	: 1,057	: 1,095
Evisceration lines	:	:	:	:
under inspection	:	:	:	:
June 30	: 1,303	: 1,360	: 1,402	: 1,435
Man-years	: 1,534.0	: 1,667.1	: 1,773.6	: 1,821.7
Obligations (Appropri-	:	:	:	:
ation only)	: \$10,179,980	: a/\$12,002,629	: b/\$13,567,061	: \$14,087,061
Average cost per man-	:	:	:	:
year	: \$6,636	: a/\$7,200	: \$7,649	: \$7,733

a/ Includes increased pay costs resulting from 1960 pay act.

b/ Includes \$450,000 estimated additional fund requirement.

The preceding table shows that:

Inspected production is expected to increase 13% in 1962 over 1961 and a further increase of 4% is estimated for 1963.

Total number of plants (slaughter & evisceration & further processing) is expected to be up 11% in 1962 over 1961 and 4% more in 1963.

Lines in evisceration plants are increasing from 3% to 4% per year.

Total man-years estimated to be required in 1962 is an increase of 6% over 1961 and current estimate reflects 2% increase in 1963 over 1962.

(d) \$2,300 to reimburse the Employees' Compensation Fund for payments made during 1961.

Section 209 of Public Law 86-767 approved September 13, 1960 requires each agency to include in its budget estimates an amount equivalent to the payments made from the Employees' Compensation Fund during the past year for claims of employees of the Agency.

For the Agricultural Marketing Service, the claims paid in fiscal year 1961 totalled \$2,300. Therefore, this amount is included in the 1963 Budget to repay this fund.

(e) \$50,000 for limited expansion of emergency food management planning and related civil defense activities.

Need for Increase: The Department of Agriculture has been delegated responsibility for emergency food management planning and for radio-logical monitoring of certain foods. The current demand for this work is being financed from a limited allocation from the Office of Emergency Planning, and from regular funds of the Agricultural Marketing Service for civil defense activities which are an integral part of regular Service programs.

To keep pace with the increasing emphasis and tempo in the over-all program for defense readiness, increased activity is needed to complete the development of plans for emergency management of food under conditions likely to exist following a nuclear attack: in addition, substantial training activity must be undertaken to acquaint field employees with the role they must carry out in such an emergency period; and, finally, an orientation program must be undertaken to acquaint the food industry with emergency plans and industry emergency responsibilities. The amount requested provides for some of the increased attention needed in this work.

Plan of Work: Emergency food management planning would be strengthened; a training program would be undertaken to instruct AMS field employees in their responsibilities in an emergency period; and the food industry would be given orientation in the Department's emergency civil defense plans and industry's responsibility in an emergency.

(3) An increase of \$477,000 under the project "Regulatory Activities" consisting of:

(a) \$47,000 for improving administration of the Federal Seed Act.

Need for Increase: Step up testing for trueness-to-variety. The Act requires that vegetable seed in interstate and foreign commerce be labeled as to variety. Although State and Federal laboratories test seed samples for correctness of labeling as to pure seed, weed seed and germination, comparatively little testing is done to determine if seed is correctly labeled as to variety.

Large sums are being spent in seed programs of the various States to develop and introduce new and superior varieties of various crops. Private industry has developed and introduced new varieties at an increasing rate. The foundation seed program and the seed certification program of the various States expend funds to increase the supply of seed of new and superior varieties.

Growers demand improved varieties of seed. Farmers, in recent years have become extremely variety-conscious as State Extension Service and private industry have demonstrated and promoted the use of superior varieties. Little work is being done by either State or Federal governments to insure that the seed the farmer purchases is of the variety claimed on the label. This lack of variety testing under the Federal Seed Act encourages misrepresentations. Federal leadership in this field is necessary to obtain cooperation of the States in testing for varietal purity.

Strengthen facilities at Federal-State laboratories. The Federal Act requires that imported agricultural and vegetable seeds meet established standards before they are permitted to enter the United States. Further, the Department is responsible for investigating and handling interstate violations of the Act which are detected and reported by the States. Increasing amounts of seed imported into the United States in recent years are requiring increasing facilities to assure compliance with the Act.

For example, the Federal-State seed laboratory at Sacramento, California now handles import actions and interstate violations under the Act for the entire western part of the United States. The State of California has been providing most of the seed testing equipment and part of the man power for administering the Federal Seed Act, including the mandatory work on imports. The workload has now reached the point where this is hampering the States' administration of its laws.

Plan of Work: To carry on the trueness-to-variety testing, more efficient arrangements would be made for field tests by State Experiment Stations where certain kinds of seed can best be grown on a cooperative or contractual basis. To strengthen Federal operations at the seed testing laboratories the Department must provide its own equipment and an adequate number of seed technicians to handle the heavy Federal workload. A part of the increase would be used for meeting this problem at Sacramento and a part for trueness-to-variety testing.

(b) \$370,000 to permit more effective administration of the Packers and Stockyards Act.

Need for Increase: Since the coverage of the Packers and Stockyards Act was extended by the amendment of 1958, a major part of the activities under this law has been devoted to jurisdictional aspects, i.e., the posting of stockyards and registration and bonding of market agencies and dealers subject to the Act. This was necessitated by the fact that the amendment almost quadrupled the number of yards which need to be posted and tripled the number of agencies and dealers coming under the Act's jurisdiction.

Emphasis has also been given to effect jurisdiction over packers subject to the Act and initial efforts have been made to determine those live poultry handlers and dealers whose operations come within the scope of the amended law. Posting, registration and initial bonding of eligible agencies will be practically completed by the end of the fiscal year 1962.

While the greatly increased number of persons and firms subject to the Act will keep work in the jurisdictional area at a comparatively high level, program emphasis in 1963 will be shifted to supervision and investigation of methods of operation and business practices of packers, stockyard operators, market agencies and dealers. To assure compliance with the law, a continuing program of education must be conducted for the benefit of the entire livestock industry. More intensive efforts must be directed also toward applying the provisions of the Act to live poultry handlers and dealers.

Trade Practice Investigations. Supervision and investigation responsibilities under the expanded program present a task of considerable magnitude. They will require the surveillance of practices and the audit of records of more than 2,300 stockyards to determine the reasonableness of rates and adequacy of services and facilities; testing of approximately 8,000 scales now subject to regulation; investigation to determine the adequacy of bonds and the solvency of 20,000 dealers and market agencies; evaluation of the reasonableness of the charges of 5,000 market agencies; investigation of the trade practices of the dealers and market agencies and in excess of 3,000 packers.

These trade practice investigations are time-consuming and expensive, necessitating travel to conduct numerous interviews, audits, and hearings on charges, when dictated by the evidence. A recent nationwide investigation of lamb buying practices involved an expenditure of more than \$250,000 over a two-year period, and the first hearing in this proceeding has been scheduled for early February 1962.

In the poultry field the Act charges the Department with responsibility to determine:

1. which of those engaged in this industry are packers or live poultry dealers and handlers and thus subject to jurisdiction; and
2. whether, if subject to the Act, they are engaging in any practices prohibited by it.

The Department, except in a few designated live poultry markets, has not been able to be active in this area, having concentrated its activities in the livestock and meat area. Because of low prices received by farmers, however, complaints have been received and we shall have to proceed with investigation of practices affecting competition or prices in the poultry marketing field. Only with evidence of violations can corrective action be taken.

The significance and need for the planned supervision and investigation activities are emphasized by the fact that the livestock and poultry industry to be so regulated has monetary values in excess of \$12 billion to producers; \$15 billion to packers; and \$18 billion to retail outlets. Approximately one-third of all cash farm income is derived from livestock marketing.

Because more persons and businesses are now subject to the Act, there has been a corresponding increase in the number of complaints of malpractices that have to be investigated. The increasing trend toward the decentralization of livestock marketing and slaughtering presents an investigation potential in every state of the Union. The need for broadening and intensifying investigational activity is pointed up by the following:

Lamb Investigation Finds Evidence of Malpractice. Unfair trade practices uncovered recently in the lamb marketing industry have led to a formal complaint against seven meat packers, three food chains and two lamb dealers charging violation of the Packers and Stockyards Act. The complaint alleges that these twelve organizations have violated the law by engaging in certain marketing practices with the purpose or the effect of manipulating or controlling lamb prices and restricting competition in lamb buying. The 2 dealers have consented to an order directing them to discontinue these practices but the other respondents have indicated that they will litigate the charges. Investigation into other aspects of lamb and sheep marketing and slaughtering is continuing and, if the facts warrant, complaints may need to be filed against others. Extensive hearings in various parts of the United States will be required in this matter.

Hog Investigations Conducted. Investigation into alleged restriction of competition in the sale of hogs in the state of Iowa is practically completed. Corrective action of the violations disclosed will probably require the issuance of complaints and the holding of hearings with the objective of obtaining an order to cease and desist from the violative practices.

An investigation of hog buying practices in southeastern United States involved most major packers in Georgia and Florida who were found to be arbitrarily reducing the agreed purchasing price after taking possession of hogs. The elimination of these practices was accomplished, however, through administrative action.

Changes in Buying Practices Continue. The trend of the past 10 to 15 years toward concentration of purchasing power in fewer large packers and retailers has been the principal factor in the development of the many problems besetting the livestock and poultry industry today. Direct contracting between chain stores and producers of livestock and poultry and large retailers engaging in meat packing and meat production has created confusion in the market place. These practices often lead to restriction of competition, restraint of trade and manipulation of prices-- all of which are violations of the Packers and Stockyards Act.

Producers and consumers are the victims of these practices which culminate in low prices paid to producers, high prices paid by consumers and large profits to dealers and handlers who indulge in such unfair trade practices.

Plan of Work: A 6-point program is necessary to (1) assure livestock and poultry producers of true market values, reasonable marketing costs, accurate weights, adequate marketing services and facilities, and financial protection of proceeds; and (2) prevent and eliminate unfair, deceptive, fraudulent, discriminatory, restrictive or monopolistic practices in the meat packing industry, and in the marketing of livestock, poultry and meat.

Program areas to be emphasized include:

1. Education and enforcement. An extensive educational and enforcement program will be conducted among the many market agencies and dealers recently made subject to the Act to inform them of their responsibilities under the Act. A similar program will be conducted for livestock producers to apprise them of the protections the Act gives them, and the procedures they should follow in filing reparation and other complaints.
2. Packer buying practices. An extensive examination of packer buying practices will be made to determine whether undue concentration of buying power has actually resulted in restraint of trade, restriction of competition, or manipulation of prices; and investigation of feeding operations of packers and food chains to ascertain if they violate the Act.
3. Legal and Administrative aspects of problems. A determination needs to be made of the legality, and the appropriate administrative action, regarding such current livestock marketing problems as bonding adequacy; prompt payment; pencil shrink; dual operations of stockyard operators, market agencies and dealers; service or yardage charges at concentration buying points; and failure of buyers to compete.
4. Scale testing and weighing. Scale testing and check weighing of livestock will be emphasized and closer scrutiny will be given to existing rates and charges and stockyard services provided.
5. Revision of regulations. Existing regulations must be revised and modernized to take into account recent changes in the marketing system. As part of this modernizing, a series of interpretive statements will be developed and issued to inform the industry as to whether certain existing practices are permissible or are in violation of the Act.

6. Conferences with industry groups. Periodic meetings will be scheduled with representative industry groups to establish closer industry-government relationships, and to keep the Department abreast of marketing practices and needed program changes.

To carry on the normal activities under this law and in addition, intensify efforts in the **foregoing** program areas; to participate in the many hearings scheduled, requires a more than usual amount of travel.

(c) \$60,000 for stepping-up the frequency of periodic examinations of warehouses licensed under the U. S. Warehouse Act.

Need for Increase: Timely Federal Supervision Needed to Assure Integrity of Federal Warehouse Receipts and Protection of Depositors. Warehousing of agricultural products is an essential element in a sound marketing program. Products of enormous financial and utilitarian value must be entrusted to public warehouses for safekeeping and return. Numerous risks and hazards are inherent in this field of activity both to the owners of products and warehouse operators.

The U. S. Warehouse Act promotes sound warehousing by licensing and bonding public warehousemen who meet certain requirements as to adequacy of facilities and equipment, competency of operating personnel, financial condition, records and record-keeping, etc. Applications for license are filed voluntarily by warehousemen who subscribe to the principles of federal supervision.

To meet its increasing responsibilities and to avoid, insofar as possible, the tragic aftermath of warehouse failures (which, like bank failures, cause serious economic problems locally) the Department must strengthen its ability to cope with the wide range of problems encountered in this work. Impairment of the high credit standing of Federal warehouse receipts would present many difficult problems for depositors, bankers, surety bond underwriters and warehousemen. The unquestioned acceptance of these receipts imposes an obligation on the Department to maintain an effective degree of supervision to assure their validity and integrity.

Growth of Program. Responding to voluntary applications, the program has experienced substantial growth. Cotton and grain warehouses comprise the heaviest workload under this Act. The record production of grain has resulted in a phenomenal growth in licensed grain storage capacity (from 187.7 million bushels in 1940 to 1.3 billion bushels in 1961) as well as in the volume of stored products. A large portion of these increased stocks are government-owned and have been acquired under price support programs.

Since the number of warehouse examiners has remained about the same, average annual inspections have fallen below the minimum. At the same time licensing of new space is continuing with the expectation that at least 50 to 75 million additional bushels of grain storage capacity will come under license in each of the next few years.

Need for Adequate Supervision. The risks attendant upon warehousing include those of spoilage, illegal conversion, facility failure, failure to insure against insurable hazards, issuance of false or fraudulent receipts, failure to honor demands for delivery, financial failure of warehousemen, etc.,

To assure correction of incipient trouble; to deal with serious violations; and to assure continued protection of depositors and receipt holders, a program of adequate warehouse examination is essential. By this means the Department keeps abreast of the conditions prevailing at each licensed warehouse.

This can be done only at the warehouse site, by personnel trained in effective examination procedure. As the information acquired through examination becomes less current, it loses value. The essential question is "How do things stand now?"

Although experience emphasizes the need for at least two examinations per year, the average rate has fallen below this minimum during the last several years. Especially troublesome cases frequently demand many more follow-up examinations, thus the average rate must be in excess of two per year. Further expansion of licensed capacity will inevitably dilute our ability to maintain even the current inadequate coverage.

Plan of Work: The increase would be applied principally to work in grain storage facilities. It would make it possible to examine licensed grain warehouses with the degree of frequency deemed essential to maintain adequate supervision of currently licensed grain warehouses. The Department would also be able to respond more promptly to requests for examination of new warehouses coming into the program and to make special examinations which require immediate attention.

STATUS OF PROGRAM

The work under this appropriation consists of research and service to improve and develop the domestic marketing and distribution of agricultural commodities. The work is performed under five activities, as follows:

1. Marketing research
2. Market news service
3. Inspection, grading, classing and standardization
4. Regulatory activities
5. Administration and coordination of State payments.

Current activities, progress and trends are presented below for each of these activities.

1. MARKETING RESEARCH

Current Activities and Trends: Marketing research is designed to evaluate, maintain and improve the quality of agricultural commodities as they pass through the marketing system, and to increase the efficiency and hold down the costs of marketing commodities by improvements in facilities, equipment, packages, handling, work methods and transportation. It is aimed at solving problems at each stage of marketing, such as, in assembly and processing plants, storages, transportation, auction markets, terminal or central markets, and wholesale and retail markets.

A large part of this research is conducted in cooperation with the Land-Grant colleges and other public and private agencies, and under contract. The program is thus provided with the benefit of research resources and facilities which would otherwise not be available, permitting the application of a higher degree of specialization to specific marketing problems.

Cotton Marketing Research Stepped Up. Development of a small-scale spinning efficiency or spinning potential test of lint cotton is progressing very satisfactorily. The relationship of some of the findings obtained from this work to those obtained from large-scale spinning tests appears to indicate that a slope factor may be desirable along with the spinning limit value obtained for cottons.

The investigation of the elastic energy of a mass of cotton fiber as a means of determining the spinning potential of lint cotton is moving along in the direction of establishing sample preparation and testing procedures.

The contract work involving the spinning and finishing performance of cotton as related to color grades according to the Universal Cotton Standards is just now getting under way. All cottons for the first crop year (1960) have been obtained, and a standard processing procedure has been developed. This procedure calls for spinning 22's yarn with a 4.50 twist multiplier at a 11,000 r.p.m. spindle speed.

The development and evaluation of an electrical resistance method for rapid determination of length and length distribution of cotton fibers has progressed at an accelerated rate. Two methods of obtaining the length information from the length frequency curve have been tested and appear promising. An analog computer has been designed and constructed to give the length factor desired.

The study of interrelationships existing between cotton fiber measures and their effects on evaluations of the relation of fiber properties to yarn strength and yarn appearance is progressing. It appears that certain recognizable patterns of fiber interrelationships and effects exist, and that the method of approach being used for their evaluation is responsive.

Emphasis increased on apple maturity and citrus quality. With increased funds provided in the 1962 Appropriation Act, further research on light transmission techniques for measuring apple maturity is being conducted. This method is showing considerable promise as an objective method of determining apple maturity. Also, as a result of increased funds, field work is underway in Florida on the maintenance of citrus quality after harvest.

- a. Other marketing research accomplishments include: Marketing facility planning assistance furnished in many specific locations. During the year, 21 localities and 38 individual concerns in other areas were assisted in planning improved marketing facilities. Included in these were 28 terminal market and similar facilities in large urban centers, and 31 market assembly and other facilities in producing areas.

If the recommendations of the Department to industry are followed and new and efficient terminal marketing facilities are built in five cities (New York City, Detroit, Knoxville, New Orleans, Pittsburgh), where detailed studies are being made or have been recently completed, estimated annual savings in marketing costs could approximate \$35 million.

With increased funds contained in the 1962 Appropriation Act, field work is underway in the study to improve the agricultural market center at Boston, Massachusetts. A research contract has been awarded to determine the flow and cost of flow within the Boston metropolitan area for: fresh fruits and vegetables, dressed poultry and eggs, meat and meat products, and dry groceries. Similar data will be obtained for various other groups of commodities as well as data on the space used by all dealers. These data will then be analyzed to determine facility requirements, to prepare a report, and to assist local officials to implement findings.

- b. Improved insect control methods for farmers' stock peanuts reported. Until now, no completely satisfactory method has been developed of insect control in farmers' stock peanuts. Sufficient research has been completed now to recommend a malathion spray treatment combining bulk and surface applications. It is producing the highest degree of protection against insect infestation and damage ever achieved. The cost is only one-tenth that of some former treatments that were less effective. This development is of great value to the peanut industry and will result in significant savings both from decreased cost of treatment and loss from damage in government-owned holdings of peanuts.
- c. Fumigation of storage bins improved. Flat storages for grain, which are becoming more numerous, are difficult to fumigate evenly and effectively by either gravity or single pass methods. Research has shown that more even distribution of the fumigant and better control of insects are obtained by re-circulating the fumigant repeatedly through the aeration duct system of the storage. Besides giving better control, the recirculation method is more economical since less fumigant is required.
- d. Improved methods of handling food products. Research on the handling of food products from warehouses to the shelves of retail food stores shows that the industry could save many millions of dollars per year by adopting recommended improvements in handling methods.
- e. Fruit and vegetable after-harvest diseases controlled by radiation. Experiments were conducted, during the past year, on the effectiveness of various rates and dosages of gamma radiation for controlling eliminating gray mold in pears, brown rot in peaches, and green mold in citrus fruits. Further work will be carried out under this project to determine the optimal levels or ranges of dose rates for disease control in fruits and vegetables.
- f. New methods of determining wool quality developed. A wool staple length recorder for measuring the length of grease wool staples has been field tested and minor mechanical difficulties rectified. The performance of the machine has been highly satisfactory. One hundred staples of 3-inch wool can be measured in about twelve minutes with an extremely low margin of error - about 0.03 inch on the average, but in no case more than 0.10 inch.
- g. Electronic sorting of dates perfected. A machine for sorting dates into four classifications on the basis of moisture at a speed of four dates per second has been developed under the Department's marketing research program. This machine has been tested in a date-processing plant and has been shown to meet the requirements of the date processors.

- h. Man-hour savings of 20 per-cent in warehouses accomplished. The application of principles of work simplification in eight modern integrated produce warehouses resulted in a reduction of 20 per-cent in the number of man-hours required for handling the work of these warehouses. Some of the innovations were: the use of effective inventory procedures to reduce excessive inventory handling; the maintenance of top quality by proper temperature, humidity, rotation and inspection; the use of low-cost order taking methods including taking orders by telephone rather than by traveling salesman; the maximum use of warehouse space; and the use of unit load handling.
- i. Lay-out for automated milk plants developed. Improved lay-outs and operating criteria were developed for automated milk plants which will make possible savings in labor costs of from \$26,000 to \$39,000 annually for plants handling 35,000 to 105,000 gallons of milk per week. The use of highly mechanized equipment in filling, casing, stacking cases, and handling empty cases also contributes to a reduction in costs. Automated operations that make this reduction in cost possible also involve the cleaning of equipment associated with these operations.
- j. Apple scald reduced 28%. A post-harvest dip containing diphenylamine has been found to be effective in controlling scald in apples. Tests have demonstrated that apples treated with this dip averaged only 9% scald, compared to 37% in untreated apples. Toxicity tests have shown a safety margin of at least 100-fold if the dip is used in the manner indicated in the USDA report. The results of these five years of tests have been received enthusiastically by industry and a petition for clearance for the commercial use of diphenylamine has been submitted to the Food and Drug Administration jointly by the International Apple Association, the National Apple Institute, the Northwest Horticultural Council, and a cooperating chemical manufacturer.

2. MARKET NEWS SERVICE

Current Activities: This Service assists farmers in obtaining equitable returns for their products and aids in orderly marketing and prevention of waste, resulting from local surpluses, by providing timely and reliable market news on all major agricultural commodities. This is accomplished through the collection of market information at year-round and seasonal offices maintained in more than 100 cities and towns and the dissemination of this information by mail, press, radio, television, telephone, telegraph, bulletin board, and trade and farm publications. More than 1,200 daily newspapers having an average circulation of 37 million -- approximately 70% of the 53 million circulation of all daily newspapers -- carry news based on Federal market reports. A total of about 1,584 radio stations broadcast news regularly, and approximately 169 television stations carry market news reports.

b. New egg and poultry reports were issued including (1) ready-to-cook broiler-fryer prices in trucklots delivered to the New England metropolitan area, Ohio, and Los Angeles, California; (2) volume movement of eggs into retail channels at Boston, Philadelphia, and Baltimore and butter and eggs at New York; (3) ready-to-cook duck prices to retailers in Philadelphia; (4) movement of broilers and fryers through processing plants in 8 states around Kansas City, Missouri; and (5) egg prices paid producers at farms in Wisconsin.

c. Additional coverage and new releases on fruits and vegetables included (1) shipping point f.o.b. coverage of watermelons from the Perris Valley reported from Los Angeles in cooperation with the California Department of Agriculture making f.o.b. reporting of watermelons practically complete from all California producing areas; (2) information on watermelons relayed to Southeastern Missouri; (3) broadened reporting of Central Oregon potatoes; (4) expanded f.o.b. reporting of tomatoes from Mexican port of entry, Nogales, Arizona; (5) expansion of unload report from 38 to 41 cities of National supply trends and added reporting of avocados, bananas and blueberries; and (6) unload data in 41 cities were compiled and published in two booklets for the calendar year 1960, replacing reports issued individually by 23 terminal offices.

d. By virtue of increased contributions from the States of Louisiana and Missouri grain reporting was inaugurated at Baton Rouge, Louisiana, thus completing service on all commodities traded in the State; and grain reporting service was inaugurated at Jefferson City, Missouri; also, within currently available funds, tables were developed to show flour exports by coastal area and country of destination, and to show grain moving by barge, truck and rail.

3. Fiscal Year 1962 plans include:

a. Weekly reports on the quality of Smith-Doxey cotton classed will include information on Micronaire readings of fiber fineness and maturity for those offices equipped with air-flow instruments.

b. Expansion of regional and national turkey market reports; additional coverage of poultry and egg marketing in the New England States; and information on foreign markets for dairy and poultry products is being gathered and disseminated in cooperation with Foreign Agricultural Service and trade sources.

c. Development of f.o.b. reporting of watermelons in Southern Indiana and Suffolk County, Virginia, in cooperation with State Departments of Agriculture; report of shipping point prices of potatoes and miscellaneous vegetables for Anoka County, Minnesota; reopen the Klamath Falls, Oregon office for reporting potatoes.

d. Addition of soybean and corn prices to the Jefferson City, Missouri, reporting.

e. With increased funds appropriated for this purpose, the leased wire system will be improved by increasing the speed of transmission on the Livestock Circuit and by splitting the Western Circuit for speedier service.

f. A survey will be made of the possibility of using AMS leased wire system to aid in disseminating special agricultural weather reports and of incorporating such reports in Market News local releases. A study will be made of quantitative measures based on crop values, kinds of day-to-day decisions based on weather predictions, cultural practices, and weather risks to use as criteria in considering the priority of needs for expansion of this service to other agricultural areas.

3. Federal-State Cooperation.

Federal-State Cooperative Agreements in Effect, Fiscal Year 1961

by Commodity Group

Dairy and Poultry Products	Fruits and Vegetables	Grain and Feed Products	Livestock, Meats and Wool	Tobacco
Alabama	Alabama	Alabama	Alabama	---
---	Arizona	---	---	---
Arkansas	Arkansas	Arkansas	Arkansas	---
California	California	California	California	---
Colorado	Colorado	---	---	---
Connecticut	Connecticut	Connecticut	Connecticut	---
Delaware	Delaware	Delaware	Delaware	---
Florida	Florida	---	Florida	---
Georgia	Georgia	---	Georgia	---
---	Idaho	---	---	---
Illinois	Illinois	Illinois	Illinois	---
Indiana	Indiana	---	---	---
Iowa	Iowa	Iowa	Iowa	---
Kentucky	Kentucky	Kentucky	Kentucky	Kentucky
Louisiana	Louisiana	Louisiana	---	---
Maine	Maine	---	---	---
Maryland	Maryland	Maryland	Maryland	Maryland
Massachusetts	---	---	---	---
Michigan	Michigan	---	---	---
Minnesota	Minnesota	---	Minnesota	---
Mississippi	Mississippi	Mississippi	---	---
Nebraska	---	---	---	---
New Hampshire	---	---	---	---
---	New Jersey	---	---	---
New York	New York	---	---	---
North Carolina	N. Carolina	N. Carolina	N. Carolina	N. Carolina
---	North Dakota	---	---	---
Ohio	---	---	Ohio	---
---	---	---	Oklahoma	---
Oregon	Oregon	Oregon	Oregon	---
Pennsylvania	Pennsylvania	---	Pennsylvania	---
Rhode Island	Rhode Island	---	---	---
South Carolina	S. Carolina	---	---	---
Tennessee	Tennessee	Tennessee	Tennessee	Tennessee
Texas	Texas	Texas	Texas	---
Utah	Utah	Utah	Utah	---
Vermont	---	---	---	---
Virginia	Virginia	Virginia	Virginia	Virginia
Washington	Washington	Washington	Washington	---
West Virginia	W. Virginia	W. Virginia	W. Virginia	W. Virginia
Wisconsin	---	---	---	---
Total 36	34	19	23	6

4. Cooperative Financing.

Financing of the market news reporting service is based on three categories:

<u>Category</u>	<u>Significance of Marketing Data</u>	<u>To be Financed by</u>
I	National	Federal appropriation
II	Regional	Joint Federal-State funds ranging from maximum of 75% to a minimum of 25% of either Federal or State funds
III	Local	State or local funds

5. Federal cost of service.

	: 1961	: 1962 (Est.)	: 1963 (Est.)
Total cost of service.....	: \$5,416,743	: \$5,738,912	: \$5,971,412
Less reimbursements*.....	: 213,755	: 284,587	: 284,587
Paid from appropriation..	: 5,202,988	: 5,454,325	: 5,686,825

*Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended directly by States and by local groups both under cooperative agreement and outside of agreement.

3. INSPECTION, GRADING, CLASSING AND STANDARDIZATION

Current Activities: These activities assist farmers in obtaining returns for their products commensurate with quality. This is accomplished by: (1) establishing United States standards for agricultural commodities that will accurately describe their quality and condition; (2) developing the equipment and methods by which these standards may most efficiently be applied; (3) broadening the knowledge, acceptance and use of such standards by producers, dealers, manufacturers, consumers and others through demonstrations, training courses, color charts, photographs, plaster models, preparation and loan or sale of copies of standards, etc; (4) providing an impartial inspection, grading and classing service for producers, dealers and others on the basis of these standards and for wholesomeness of poultry; and (5) administering and enforcing regulatory and criminal provisions of the Poultry Products Inspection Act and of statutes that require the use of official United States standards for cotton, cotton linters, and grain sold in interstate commerce and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress and Trends:

1. Standardization and related activities.

United States standards provide a common language to describe quality of products being bought and sold. They must be revised and kept up to date to reflect results of new research and significant changes occurring in production, merchandising practices, and uses of the products. Visual aids are an important part of this work to assure as much uniformity as possible in the application of the standards.

The volume of standardization and demonstration activities in 1961, by commodity group, is reflected in Table I.

a. Color and trash measurements were made on about 4,500 grade survey samples of cotton representing cotton of the 1960-61 crop year. Results show that the combination of color and trash in current crop cottons differ from that in the official grade standards. The trash content is continuing to decline as has been the case during the past several years.

b. Continued use of electro-mechanical and electronic data processing equipment has made possible rapid and accurate calculations for various surveys and special studies conducted during the year on cotton. The computer program was enlarged to include a special print-out form to obviate copying multiple correlation values onto another form. IBM cards were used for printing summary results of the 1960 Annual Quality Survey, considerably reducing the typing work load for these tables. Multiple correlations were made on the 1946-1960 Annual Quality Survey material for selected fiber properties in relation to spinning utility. These results are being tabulated and a report will be released during fiscal year 1962.

c. Revisions of Federal Specifications for Fresh Whole Milk and Process Swiss Cheese were published in final form. The Interim Federal Specification for Fresh Skim Milk was revised and submitted for publication in final form. Revisions were made in the Specifications for Nonfat Dry Milk and Cultured Buttermilk and published as Interim Specifications. In addition, the Interim Specifications for Nonfat Dry Milk and Dry Whole Milk were revised and will be submitted soon for publication in final form. Two new Federal Specifications, one for Chocolate Milk and Chocolate Drink and one for Cultured Sour Cream were prepared and will be submitted soon for publication in Interim form.

d. A "Cheese Buying Guide for Consumers", Marketing Bulletin No. 17, was published in May 1961. A part of the bulletin is devoted to natural cheese, giving facts about its history and manufacture, and information on how to care for it in the home, its uses and an explanation of the ripening classifications. A convenience feature is a group of charts listing characteristics of some popular varieties. Another part of the pamphlet covering pasteurized process cheese and related products describes and points out the major differences between pasteurized process cheese, pasteurized cheese food and pasteurized process cheese spread. The bulletin also describes the labeling used on retail packages of cheese and informs the consumer what to look for on the label.

e. Text of proposed Federal Specifications for fresh Cantaloups, Carrots, Cauliflower, Corn (fresh), Grapefruit (California, Arizona and Florida), Grapes, Lettuce, Mustard and Turnip Greens, Oranges (Florida and Texas), Radishes, Squash, Tangerines (Florida) and Watermelons have been written and submitted to Federal Supply Service. Interim Federal Specifications on some of these commodities have been checked, corrected where necessary, and returned to Federal Supply Service as text for official printing.

f. Standardization studies were completed on defects in frozen spinach, with the results of the study being used in the revision of USDA standards for this commodity. Standardization specialists cooperated with the home economics staff in evaluating quality and other characteristics of various dried fruits, the results of which are to be used in yield studies.

g. Composite samples of various grades of country-run wheat were milled, and baking tests on the flours were made. The re-mix method of baking bread was also used for all flour from these composited samples. This new test-baking method is said to provide a better measure of true bread-baking strength than any of the older methods. Semolina was made from the composited samples of durum wheat and macaroni was made from the semolina. Certain other chemical and physical tests were made on the samples of wheat, flour, and semolina.

h. Further development and demonstration of a "dual-grading" system for beef carcasses and slaughter cattle continued as a major activity during 1961. Such a system would provide separate identification of differences in quality of the meat and in the yield of trimmed retail cuts

TABLE I

Volume of Standardization and Demonstration Activities, By Commodity Group, Fiscal Year 1961

Type of Activity	Cotton and Cotton- seed	Dairy Prod- ucts	Fruits and Vege- tables	Grain, Hay, Feed, Seed, etc.	Livestock, Meats and Wool	Poultry Prod- ucts	Tobacco and Naval Stores
Standardization Activities:							
Grade standards in effect June 30, 1961 ...	115	10	294	18	21	46	1,019
Number of commodities covered	3	7	223	18	22	8	a/ 3
New standards issued in fiscal year 1961 ..	15	--	2	--	--	3	--
Standards revised in fiscal year 1961	9	--	20	2	--	14	109
New standards in process June 30, 1961.....	--	2	4	--	1	2	--
Standards being revised as of June 30, 1961	5	--	11	3	--	--	173
Requests pending for new standards	--	6	9	--	--	2	--
Requests pending for revision of standards	40	3	8	4	--	--	173
Demonstration activities:							
Farm demonstration .....Number.....	--	--	--	--	1	--	1,190
Attendance	--	--	--	--	200	--	14,549
Farmer meetings .....Number.....	78	14	218	20	--	--	703
Attendance	11,773	515	17,825	400	--	--	9,062
Farm visits .....Number.....	1,595	--	--	--	--	--	259
Attendance	3,020	--	--	--	--	--	530
School demonstrations .....Number.....	246	28	--	40	10	2	2,131
Attendance	4,502	443	--	3,600	600	175	40,735
Short courses at agricultural colleges .....Number.....	4	4	--	--	8	--	5
Attendance	68	490	--	--	2,500	--	238
Other demonstrations .....Number.....	b/4,418	--	--	--	--	29	36
Attendance	c/11,530	--	--	--	--	112,640	d/
Grading and training schools .....Number.....	--	--	95	--	--	--	40
Attendance	--	--	3,316	--	--	--	471
Other meetings .....Number.....	1,593	43	522	--	--	--	41
Attendance	14,272	3,244	22,679	--	--	--	d/
Fairs, field days and classing contests .....Number.....	28	--	--	--	--	--	38
Attendance	329,305	--	--	--	--	--	d/
Distributed:							
Copies of standards	24,333	6,438	63,000	10,000	17,500	19,000	2,226
Farmer bulletins, leaflets, etc.	2,210	785	--	3,000	1,600	145,666	142,671
Visual Aids:							
Prepared:							
Plaster and wax models	--	--	692	--	--	--	--
Other	--	--	96	--	--	2	--
Distributed or displayed:							
Plaster and wax models	--	--	195	--	--	--	--
Color photographs, charts, and guides ...	--	--	759	4,000	11,000	51,578	--
Black and white photographs	--	--	42	--	--	--	--
Slides and film strips	27	--	1,754	--	180	--	--
Type samples and physical forms	2,960	--	--	2,500	--	--	--
Exhibits and other displays	281	--	--	--	--	2	--
Television films	354	--	--	--	--	3	--
Cotton sample sets for schools	383	--	--	--	--	--	--

AGRI-WASH

a/ Includes turpentine, rosin and 24 types of tobacco.

b/ Includes radio and television appearances.

c/ Excludes radio and television attendance.

d/ Not available

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from a carcass. Previous studies of the factors responsible for differences in yield of cuts among carcasses provided practical indices which could be applied in a grading program. The principles of dual grading were discussed and demonstrated at numerous State, regional and national meetings of industry groups. Many of these meetings were sponsored by cattle producers and feeders in cooperation with meat packers. In addition, the system was explained and demonstrated in detail at an Industry-wide Beef Grading Conference sponsored by the American National Cattlemen's Association. A similar presentation was made at a meeting of 250 college and university workers engaged in meat research, teaching and extension activities.

i. A comprehensive study was made of all tobacco standards. This study consolidates into one volume a complete and systematic editorial review of the definitions, rules, and group headings. Subsequent modifications will be incorporated into this digest to effect a perpetual expedient in preparing or revising future standards.

2.. Inspection, grading and classing activities.

a. The shortage of qualified cotton classers for temporary service continues to be a problem. A series of 2-week schools has been held over the past several years to qualify persons with some classing experience for this work. These schools have not answered the need fully. Consequently, a 6-month school was conducted at Memphis in 1961, which undertook to qualify as temporary classers persons who have a general background in cotton but no experience in classing cotton. During the six-month period (March to August 1961), 20 men received intensive training in all phases of classification as well as a good background in the cotton industry. This school is viewed as a possible solution to the problem of temporary cotton classers. The volume of cotton classings is shown on Table IV.

b. Inspection and grading of dairy products, as in the previous year, was carried out on a nationwide basis in cooperation with State agencies in 42 States and two national trade associations, the National Cheese Institute and American Dry Milk Institute. After two years of decline, this year has seen a sharp increase of approximately 799 million pounds in the volume of grading services performed. The increase was due mainly to greater volume of work in connection with the government price support program for dairy products. (Workload related to price support program represents approximately 3/4 of total workload.) The 799-million-pound increase was observed in all types of service. An increase was evidenced in the grading of all major dairy products except for an 82-million-pound reduction in the grading of cheese.

c. The volume of both fresh and processed fruits and vegetables inspected increased in 1961 over 1960. The increased volume of fresh inspections was due to a large amount of products inspected for public and private agencies, raw products for processing and farmers' stock peanuts. Gains in these three categories more than offset the loss in commercial work at shipping point and receiving markets. This shift from commercial work to other activities reflects the trend of recent years--large chain buyers are increasing the amount of perishables purchased on their own acceptance on arrival. This reduces the value of official inspection at origin and on the market. The increased use of "incentive" loading also reduces statistically the number of cars inspected.

d. To strengthen grain inspection operations, a reorganization of the operating unit administering the Grain Standards Act was completed. Area offices were established and administrative control decentralized.

e. At the close of the fiscal year, meat grading services were being performed at about 826 Federally-inspected plants--26 more than in 1960. The number of non-Federally-inspected plants where meat grading was performed decreased by 23 under 1960. The total amount of meat graded increased by about 396 million lbs. over 1960 reflecting the increase in total commercial production.

f. Grain inspection work in Canada increased about 30% over 1960. This work, performed under authority of the Agricultural Marketing Act, is headquartered at Baie Comeau, Quebec and the volume of United States grain offered for inspection there is expected to increase further.

g. As of June 30, 1961, inspection service under the Poultry Products Inspection Act was being provided in 871 plants operating 1,360 lines. As of January 18, 1962, service was being provided to 889 plants. During the fiscal year 1961, 1,857 million head of poultry were inspected, and 700 million pounds of inspected poultry was used in canned and processed foods. Specific moisture tolerances were established further assuring the consumer that the poultry not only is clean and wholesome but also is not adulterated in the chilling process with excess moisture.

h. Commodities inspected and graded. Table II shows the volume of commodities inspected and graded in 1961 and that estimated for 1962 and 1963 under authority of the Agricultural Marketing Act and other legislation which provides for charging of a fee to cover the cost of the service.

Tables III, IV, V, and VI show volume of inspection, grading, and classing activities in main commodity fields performed pursuant to legislation other than the Agricultural Marketing Act of 1946.

Table II-Commodities Inspected and Graded on a Fee Basis a/
Fiscal Years 1961 - 1963

Commodity Group	Unit	1961	1962 (Est.)	1963 (Est.)
<u>Fresh fruits and vegetables</u>				
At receiving markets	car or	90,865	91,000	91,000
At shipping points	carlot	1,274,944	1,258,000	1,258,000
Total carlots.....	equiv.	1,365,809	1,349,000	1,349,000
<u>Processed Fruits & vegetables</u>				
Canned products	1,000 cases	190,900	200,000	210,000
Frozen, dried, and misc.	1,000 lbs.	3,796,900	4,064,000	4,475,000
<u>Dairy products</u>				
Butter, cheese, dry skim milk, evaporated milk, misc. products	1,000 lbs.	3,114,243	3,273,000	3,273,000
<u>Poultry products graded</u>				
Shell eggs	1,000 cases	31,031	34,180	34,890
Processed eggs	1,000 lbs.	567,635	567,650	567,650
Poultry, including rabbits ..	1,000 lbs.	4,624,284	5,548,000	5,778,000
	live wgt.			
<u>Grain and related products</u>				
Rice, beans, and peas	100 #bag	65,460,297	65,800,000	67,400,000
Hay	ton	24,992	25,000	25,000
Hops	bale	236,988	260,000	270,000
Seed verification and re-verification	1,000 lbs.	22,633	10,000	10,000
Miscellaneous commodities ..	Certificates issued	44,054	45,000	50,000
<u>Meat and meat products</u>				
Beef	1,000 lbs.	7,244,161	7,300,000	7,400,000
Veal and calf	1,000 lbs.	181,909	200,000	225,000
Lamb and mutton	1,000 lbs.	344,007	340,000	335,000
Miscellaneous	1,000 lbs.	163,049	165,000	170,000
Total meat & meat products:	1,000 lbs.	7,933,126	8,005,000	8,130,000
<u>Cottonseed</u>	Certificates issued	83,791	85,000	85,000
<u>Naval Stores</u>				
Rosin	drum equiv.	262,334	275,000	275,000
Turpentine	gal. equiv.	3,561,946	4,000,000	4,000,000

a/ See Table III for volume of inspection under "Poultry Products Inspection Act."

TABLE III - Activity under the Poultry Products Inspection Act
Fiscal Years 1961 - 1963

Item	1961	1962 (Est.)	1963 (Est.)
Poultry Inspected:			
Head.....(000).....	1,857,288	2,099,000	2,162,000
Pounds (000 live weight)	8,236,163	9,294,025	9,626,029
Poultry condemned:			
Ante-mortem:			
Head.....(000).....	3,992		
Pounds (000 live weight)	16,176		
Post-mortem:		a/	a/
Head.....(000).....	39,226		
Pounds (000 N. Y. dressed)...	134,324		
Poultry Certified:			
Pounds (000 ready-to-cook).....	5,508,671	6,224,798	6,411,542
Plants indicated as subject to the Act	1,057	1,080	1,125
Plants under inspection as of 6/30	871	979	1,017
Lines within plants under in- spection as of 6/30	1,360	1,402	1,435
Examination of labels:			
Proposed labels received	11,578	17,000	19,000
Labels approved	6,946	11,000	13,000
Labels disapproved	4,632	6,000	6,000
Laboratory work:			
Chemical compounds received for review	690	800	925
Approved	580	625	700
Rejected	100	175	225
Chemical tests made	859	1,000	1,250
Gross pathological specimens examined	105	63	110
Histopathology specimens examined	211	152	240
Color pathology slides developed for training purposes (rolls)	26	31	22

a/ not available

TABLE IV - Cotton Classing and Related Data
Fiscal Years 1961 - 1963

Type of Service and Legislative Authority	Number of Classifications Made		
	1961	1962 (Est.)	1963 (Est.)
<u>Cotton Classifications by Federal</u>			
<u>Employees:</u>			
Statistics and Estimates Act	203,868	210,000	240,000
Smith-Doxey Amendment	13,703,032	14,000,000	14,000,000
<u>Cotton Standards Act:</u>			
Public Classing service	3,780,351	1,820,000	4,150,000
Federal Penitentiary (reimb.) ..	27,102	28,000	28,000
C.C.C. Loan (reimb.)	12,799	50,000	50,000
Other	29,162	52,000	32,000
Cotton Futures Act	281,666	200,000	100,000
Total, Cotton Classifications	18,037,980	16,360,000	18,600,000
<u>Cotton fiber tests made</u>	96,353	95,000	95,000
<u>Micronaire determinations for</u>			
<u>futures cotton</u>	130,448	75,000	75,000
<u>Cotton Linters Classification by</u>			
<u>Federal Employees:</u>			
Cotton Standards Acts	3,853	4,000	4,000
<u>Number of members of Cotton</u>			
<u>Improvement Groups</u>	699,632	700,000	700,000

TABLE V - Volume of Grain Inspection (by Licensed Inspectors Federally Supervised) and Appeal Activities (by Federal Inspectors) under The U. S. Grain Standards Act 1/

Activity	Fiscal Year			
	1941	1961	1962 (Est.)	1963 (Est.)
<u>Inspection Services:</u>				
Quantity of grain produced				
crop year (1,000 bu.)	5,456,682	8,560,420	8,250,000	8,000,000
Quantity of grain inspected				
(1,000 bu.)	1,944,430	7,145,705	7,250,000	7,300,000
Number of inspection points ..	178	391	400	400
Number of licensed inspectors.	414	685	700	710
Total number of inspections ..	1,268,121	3,620,658	3,700,000	3,800,000
Inspections supervised by				
Federal supervisors (excludes				
appeals)	134,621	170,828	185,000	230,000
Percent of inspections super-				
vised (includes appeals)	15.1	5.7	6.1	7.0
<u>Appeal Services:</u>				
Number of district offices ...	37	35	35	35
Number of sub-offices	6	13	13	20
Number of appeals referred ...	not available	36,489	40,000	40,000
Number of appeals denied or				
cancelled	none	300	300	100
Number of appeals decided	45,894	36,189	39,700	39,900
Original grade sustained				
(percent)	67.5	78.0	80.0	83.0
Original grade changed				
(percent)	32.5	22.0	20.0	17.0
Number of appeals carried to				
appeal boards	638	401	500	500
Supervisor's grade sustained:				
(percent)	79.0	86.0	88.0	88.0
Supervisor's grade changed				
(percent)	21.0	14.0	12.0	12.0
Total number of certificates				
issued	1,325,667	3,657,248	3,740,200	3,840,200
Overtime and related costs	none	\$68,217	\$70,000	\$65,000

1/ Users of this service pay a fee to the licensed inspector. No Federal fee is charged except in the case of appeal inspections when licensees' grades are not changed.

TABLE VI - Tobacco
Number of Auction Markets and Volume of Tobacco
Inspected under the Tobacco Inspection Act
Fiscal Years 1961 - 1963

Item	: 1961	: 1962 (Est.)	: 1963 (Est.)
Number of markets	177	177	177
Number of designated markets	177	177	177
Number of markets inspected	177	177	177
Number of sets of buyers	238	238	238
Volume inspected at auction markets (million lbs.)	1,973	2,000	2,000
Percent of total volume sold at auction .	100	100	100

Volume of Tobacco Inspected, by Class
Fiscal Year 1961

Class of Tobacco	: Number of Auction Markets : Designated and Inspected:	: Sets of Buyers	: Quantity Inspected and Sold : million pounds
<u>Auction Markets:</u>			
Flue-cured	94	145	1,369.8
Fire-cured	8	12	43.9
Dark air-cured ...	10	5	20.1
Burley	61	71	504.9
Maryland	4	5	34.1
Total, Auction Markets	177	238	1,972.8
Cooperative Marketing	Auction types		67.4 <u>a/</u>
Associations	Non-auction types		19.9 <u>a/</u>
Total			2,060.1

a/ Inspected only

i. Estimated percentage of crop marketed under Federal grades is as follows:

Commodity or Commodity Group	Fiscal Year	
	1961	1962 (est.)
Cotton	96	96
Cotton linters	5	5
Cottonseed	55	60
Dairy Products:		
Butter	49	49
Cheese	3	3
Dry milk	54	54
Fresh fruits and vegetables	85	85
Canned fruits and vegetables	60	60
Frozen fruits and vegetables.....	90	90
Grain products:		
Beans	36	40
Grain	100 <u>a/</u>	100 <u>a/</u>
Hay	0.2	0.2
Hops	98	98
Peas	75	75
Rice	70	70
Seed verification and reverification ...	16	10
Meat:		
Beef	49	49
Veal and calf	18	17
Lamb, yearling and mutton	43	42
Poultry inspected, off farm sales (compulsory):		
Broilers	84	89
Turkeys	83	84
Fowl	88	95
Poultry and eggs graded:		
Shell eggs	19	22
Liquid	88	75
Dried eggs	96)
Poultry (excluding turkeys)	46	) <u>b/</u>
Turkeys	78)
Tobacco (sold at auction markets)	100	100
Rosin	100	100
Turpentine	100	100

a/ In interstate and foreign commerce.

b/ Not available

j. Fees and Charges Revised. Fees and charges for services rendered are revised when necessary to cover the cost of the service. Table VII shows the revisions for fiscal years 1961 and 1962 to date.

The inspection work relating to cotton and cottonseed, grain and tobacco and the standardization activities for all commodity groups, are financed largely from the subappropriation "Marketing Services."

TABLE VII

Revisions in Fees and Charges, Fiscal Years 1961 and 1962				
Purpose of Fee	Effect of Change	New Rate	Effective Date	
1. <u>Cotton and cottonseed</u>				
a. Service testing	Increase in most service testing fees			
	due to increased pay, insurance,			
	retirement, social security and			
	postage costs	25% increase	August 5, 1960	
2. <u>Dairy products</u>				
a. Regrading of CCC owned				
butter and cheese	Four fees decreased	25% decrease	July 1, 1961	
b. Sampling of CCC owned				
dry milk	Four fees decreased	25% decrease	July 1, 1961	
3. <u>Fruits and vegetables</u>				
a. Inspection of fresh				
fruits and vegetables ..	Receiving market commercial inspection			
	fees increased	20-25% increase	August 15, 1960	
	Receiving market inspection fees for			
	supplies to public and private			
	agencies	11% increase	August 15, 1960	
b. Inspection of processed				
fruits and vegetables ..	Hourly rate - regular time - increased			
	from \$5.00 to \$5.50	\$5.50	August 15, 1960	
	Hourly rate - regular time - on plant			
	inspection-pack certification			
	increased from \$4.50 to \$5.00	\$5.00	August 15, 1960	
4. <u>Grain products</u>				
a. Appeal inspections under				
the U. S. Grain Standards:				
Act	Five appeal fees increased	12.5% increase	September 1, 1960	
	Hourly rate - overtime - increased			
b. Quality testing of grain	from \$5.80 to \$6.40	\$6.40	Sept. 1, 1960	
products and miscell-				
aneous commodities	Increase regular time from \$4.50 to			
	\$5.00 per hour	\$5.00	January 1962	
	Increase overtime from \$5.80 to \$6.40			
	per hour.	\$6.40	January 1962	
5. <u>Poultry products</u>				
a. Voluntary poultry grad-				
ing	Increase in three fees concerning base			
	salaries of relief graders.....	15-20% increase	July 1, 1960	
b. Laboratory services.....	Fifteen fees increased (ten new			
	charges established).....	69% increase	July 1, 1960	

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TABLE VIII

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Actual Cost of Inspection, Grading, Classing, and Standardization Activity
And Cost of Program to Taxpayer, By Work Project

FISCAL YEAR 1961

Work Project	Total	Paid from Revenue Earned			Paid From		Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost Charged to Taxpayer	Percent of Total Cost Covered by Revenue
		Reimb. to	Trust Funds	Total	Advances from C C C	Appro- priation				
		Appro- priation								
		1/			2/					
<u>INSPECTION, GRADING, AND CLASSING</u>										
Cotton and Cottonseed	\$4,768,270:	\$2,088,243:	\$26,885:	\$2,115,128:	\$371,987:	\$2,281,155:	\$2,960,064:	-\$306,922:	-	106.4
Dairy products	1,745,537:	-	1,703,216:	1,703,216:	-	42,321:	-	42,321:	2.4	97.6
Fruits and Vegetables	6,883,384:	-	6,384,772:	6,384,772:	-	498,612:	-	498,612:	7.2	92.8
Grain (U.S. Grain Standards Act) ..	2,189,053:	106,544:	-	106,544:	-	2,082,509:	645,881:	1,436,628:	65.6	34.4
Livestock, Meats and Wool	5,035,005:	-	4,855,974:	4,855,974:	-	179,031:	-	179,031:	3.6	96.4
Naval Stores	28,355:	-	9,544:	9,544:	-	18,811:	15:	18,796:	66.3	33.7
Poultry Products, grading	4,164,713:	-	3,933,868:	3,933,868:	-	230,845:	-	230,845:	5.5	94.5
Poultry Products, inspection ..	13,775,339:	1,793,337:	19,679:	1,813,016:	-	11,962,323:	-	11,962,323:	86.8	13.2
Rice, Hay, Beans, etc.	1,689,820:	-	1,660,692:	1,660,692:	-	29,128:	-	29,128:	1.7	98.3
Tobacco	3,347,731:	347,314:	-	347,314:	1,005,923:	1,994,494:	3,989:	2,996,428:	89.5	10.5
Total	43,627,207:	4,335,438:	18,594,630:	22,930,068:	1,377,910:	19,319,229:	3,609,949:	17,087,190:	39.2	60.8
<u>STANDARDIZATION</u>										
Cotton and Cottonseed	352,519:	-	-	-	-	352,519:	56,643:	295,876:	83.9	16.1
Dairy Products	32,824:	-	-	-	-	32,824:	-	32,824:	100.0	-
Fruits and Vegetables	295,755:	-	-	-	-	295,755:	-	295,755:	100.0	-
Grain (U.S. Grain Standards Act) ..	151,569:	8,941:	-	8,941:	-	142,628:	-	142,628:	94.1	5.9
Livestock, Meats and Wool	161,965:	-	-	-	-	161,965:	-	161,965:	100.0	-
Naval Stores	10,965:	-	-	-	-	10,965:	345:	10,620:	96.9	3.1
Poultry Products, grading	40,458:	-	-	-	-	40,458:	-	40,458:	100.0	-
Poultry Products, inspection ..	40,306:	-	-	-	-	40,306:	-	40,306:	100.0	-
Rice, Hay, Beans, etc.	50,524:	-	-	-	-	50,524:	-	50,524:	100.0	-
Tobacco	69,133:	-	-	-	-	69,133:	-	69,133:	100.0	-
TOTAL	1,206,018:	8,941:	-	8,941:	-	1,197,077:	56,988:	1,140,089:	94.5	5.5
<u>TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION</u>										
Cotton and Cottonseed	5,120,788:	2,088,243:	26,885:	2,115,128:	371,987:	2,633,673:	3,016,707:	-11,047:	-	102.2
Dairy Products	1,778,361:	-	1,703,216:	1,703,216:	-	75,145:	-	75,145:	4.2	95.8
Fruits and Vegetables	7,179,139:	-	6,384,772:	6,384,772:	-	794,367:	-	794,367:	11.1	88.9
Grain (U.S. Grain Standards Act) ..	2,340,623:	115,485:	-	115,485:	-	2,225,138:	645,881:	1,579,257:	67.5	32.5
Livestock, Meats and Wool	5,196,971:	-	4,855,974:	4,855,974:	-	340,997:	-	340,997:	6.6	93.4
Naval Stores	39,320:	-	9,544:	9,544:	-	29,776:	360:	29,416:	74.8	25.2
Poultry Products, grading	4,205,171:	-	3,933,868:	3,933,868:	-	271,303:	-	271,303:	6.5	93.5
Poultry Products, inspection ..	13,815,645:	1,793,337:	19,679:	1,813,016:	-	12,002,629:	-	12,002,629:	86.9	13.1
Rice, Hay, Beans, etc.	1,740,343:	-	1,660,692:	1,660,692:	-	79,651:	-	79,651:	4.6	95.4
Tobacco	3,416,864:	347,314:	-	347,314:	1,005,923:	2,063,627:	3,989:	3,065,561:	89.7	10.3
TOTAL	44,833,225:	4,344,379:	18,594,630:	22,939,009:	1,377,910:	20,516,306:	3,666,937:	18,227,279:	40.7	59.3

1/ Includes amounts reimbursed by CCC for classing cotton and grading tobacco placed under loan.

2/ Reflects costs incurred under funds advanced by CCC for classing cotton and grading tobacco not placed under loan.

TABLE IX

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Cost of Inspection, Grading, Classing, and Standardization Activity
And Cost of Program to Taxpayer, By Work Project

FISCAL YEAR 1962

Work Project	Total	Paid from Revenue Earned			Paid From : Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost Charged to Taxpayer	Percent of Total Cost Covered by Revenue
		Reim. to	Trust	Total					
		Appropriation	Funds						
		1/							
<u>INSPECTION, GRADING, AND CLASSING</u>									
Cotton and Cottonseed	\$5,044,222	\$953,750	\$32,211	\$985,961	\$4,058,261	\$2,944,155	\$1,114,106	22.1	77.9
Dairy Products	2,015,293	-	1,971,618	1,971,618	43,675	-	43,675	2.2	97.8
Fruits and Vegetables	7,383,994	-	6,884,484	6,884,484	499,510	-	499,510	6.8	93.2
Grain (U.S.Grain Standards Act) ..	2,245,407	102,000	-	102,000	2,143,407	660,500	1,482,907	66.0	34.0
Livestock, meats & wool	5,259,948	-	5,080,543	5,080,543	179,405	-	179,405	3.4	96.6
Naval Stores	35,762	-	15,263	15,263	20,499	100	20,399	57.0	43.0
Poultry Products, grading	4,557,041	-	4,327,076	4,327,076	229,965	-	229,965	5.0	95.0
Poultry Products, inspection ..	14,977,402	1,876,700	29,822	1,906,522	13,070,880	-	13,070,880	87.3	12.7
Rice, Hay, Beans, etc.	1,768,074	-	1,737,313	1,737,313	30,761	-	30,761	1.7	98.3
Tobacco	3,398,433	400,000	-	400,000	2,998,433	3,930	2,994,503	88.1	11.9
TOTAL	46,685,576	3,332,450	20,078,330	23,410,780	23,274,796	3,608,685	19,666,111	42.1	57.9
<u>STANDARDIZATION</u>									
Cotton and Cottonseed	377,974	-	-	-	377,974	80,000	297,974	78.8	21.2
Dairy Products	32,195	-	-	-	32,195	-	32,195	100.0	-
Fruits and Vegetables	302,400	-	-	-	302,400	-	302,400	100.0	-
Grain (U.S.Grain Standards Act) ..	154,307	8,500	-	8,500	145,807	-	145,807	100.0	-
Livestock, meats and wool	171,260	2,000	-	2,000	169,260	-	169,260	100.0	-
Naval Stores	12,288	-	-	-	12,288	355	11,933	97.1	2.9
Poultry Products, grading	45,529	-	-	-	45,529	-	45,529	100.0	-
Poultry Products, inspection ..	46,181	-	-	-	46,181	-	46,181	100.0	-
Rice, Hay, beans, etc.	48,620	-	-	-	48,620	-	48,620	100.0	-
Tobacco	69,980	-	-	-	69,980	-	69,980	100.0	-
TOTAL	1,260,734	10,500	-	10,500	1,250,234	80,355	1,169,879	92.8	7.2
<u>TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION</u>									
Cotton and Cottonseed	5,422,196	953,750	32,211	985,961	4,436,235	3,024,155	1,412,080	26.0	74.0
Dairy Products	2,047,488	-	1,971,618	1,971,618	75,870	-	75,870	3.7	96.3
Fruits and Vegetables	7,686,394	-	6,884,484	6,884,484	801,910	-	801,910	10.4	89.6
Grain (U.S.Grain Standards Act) ..	2,399,714	110,500	-	110,500	2,289,214	660,500	1,628,714	67.9	32.1
Livestock, meats & wool	5,431,208	2,000	5,080,543	5,082,543	348,665	-	348,665	6.4	93.6
Naval Stores	48,050	-	15,263	15,263	32,787	455	32,332	67.3	32.7
Poultry Products, grading	4,602,570	-	4,327,076	4,327,076	275,494	-	275,494	5.2	94.8
Poultry Products, inspection ..	15,023,583	1,876,700	29,822	1,906,522	13,117,061	-	13,117,061	87.3	12.7
Rice, Hay, Beans, etc.,	1,816,694	-	1,737,313	1,737,313	79,381	-	79,381	4.4	95.6
Tobacco	3,468,413	400,000	-	400,000	3,068,413	3,930	3,064,483	88.4	11.6
TOTAL	47,946,310	3,342,950	20,078,330	23,421,280	24,525,030	3,689,040	20,835,990	43.4	56.6

1/ Includes amounts reimbursed by CCC for classing cotton and grading tobacco placed under loan

4. REGULATORY ACTIVITIES

Current activities: These activities involve the administration of the Standard Container, United States Warehouse, Federal Seed, Packers and Stockyards, Export Grape and Plum, and Tobacco Plant and Seed Exportation Acts, as well as the regulatory features of the Naval Stores Act. These laws regulate various marketing activities and the administration of each includes two or more of the following:

- (1) licensing or registration
- (2) supervision of operations of licensee
- (3) collection and testing of samples
- (4) handling of violations

The project also includes assistance in obtaining and maintaining equitable and reasonable transportation rates and services on farm products and supplies.

Selected Examples of Recent Progress and Trends:

1. Federal Seed Act.

a. Record Volume of Importations. During 1961 about 366.4 million pounds of 119 kinds of agricultural and vegetable seeds were offered for importation from 26 countries. This is the largest amount of seed imported in any one year since the enactment of the law in 1939. The estimated value of this total importation is almost \$21 million. After subjecting samples of these imports to tests, 365.8 million pounds were admitted into the commerce of the United States.

Import Activities

Activity	Fiscal Year					
	:1958	: 1959	: 1960	: 1961	:1962(Est.)	:1963(Est.)
Total import actions ^{1/}	:15,803:	16,472:	18,808:	18,720:	19,000	: 19,000:
Lots offered for importation	:15,682:	16,349:	18,514:	18,304:	18,500	: 18,500:
Lots permitted entry..	:15,614:	16,338:	18,247:	18,224:	18,250	: 18,250:
Lots denied entry	: 165:	160:	267:	80:	250	: 250:
Kinds of seed imported	: 110:	110:	122:	119:	120	: 120:
Pounds of seed imported (millions) ..	: 291.5:	307.4:	354.7:	365.8:	350.0	: 350.0:

^{1/} Includes action taken on lots rejected once and acted on again after cleaning, etc.

b. Interstate activity. The number of complaints of violations of the interstate provisions of the Federal Seed Act received in the fiscal year 1961 increased 25% from the previous year, but is about equal to the average of the past five years. Based on a survey with replies from 35 states, it is estimated that there were 1,850 known violations of the Federal Seed Act in the United States last year.

This indicates that reports are being received on 37% of the violations that could be reported by the States.

Apparent violations of the act were reported by 33 States as compared with 34 States in fiscal year 1960. There were 425 State officials authorized to inspect seed subject to the Federal Seed Act. A study of the reported violations indicates that seventeen States reported ninety percent of all the apparent violations reported by the States, and eight states reported 67%. Based on recent data received from 35 States, the number of samples of interstate shipments drawn and tested ranged from twelve in one state to 2,933 in another. A total of 23,412 samples were drawn from interstate shipments by 35 States, or an average of 668 per State. Interstate shipments sampled constituted 42% of all samples drawn by the authorized State inspectors.

Of the 29 court cases completed during the year, the U. S. Attorneys declined to prosecute in three cases. Prosecution was successful in twenty-five cases. Four seizure actions were completed.

Factors involved in reported violations of the Federal Seed Act in fiscal year 1961 and the preceding three years are as follows:

	1958 <u>%</u>	1959 <u>%</u>	1960 <u>%</u>	1961 <u>%</u>
Germination	28	29	39	25
Noxious-weed seeds	15	22	18	12
Purity	17	18	17	14
Variety	10	7	7	7
Advertising	16	11	16	27
Not labeled	2	2	2	1
Miscellaneous (incomplete labeling, misleading statements, etc.)	12	11	15	14

The above table indicates a decrease in complaints involving germination, noxious-weed seeds, and purity, but an increase in complaints involving advertising. The majority of these complaints involving advertising were the result of review of seed trade and farm magazines by employees of this Department.

Interstate Investigations and Actions

d. Seed Testing. Volume of Seed Testing work is shown in the following table:

Activity	Fiscal Year					
	1958	1959	1960	1961	1962 (Est.)	1963 (Est.)
Seed samples tested in connection with:						
Imports.....	15,888	16,717	19,080	18,955	19,000	19,000
Interstate shipment.....	1,487	1,574	1,040	1,317	1,500	1,500
Check tests.....	961	921	836	972	1,000	1,000
Miscellaneous.....	641	806	1,001	1,130*	1,250*	3,500*
Total test.....	18,977	20,018	21,957	22,374	22,750	25,000

* Includes varietal identity growing tests as follows: 1961, 523; 1962, 750; 1963, 3,000.

2. Naval stores and tobacco export permits.

a. Naval stores. During the year, 524 samples of turpentine submitted by 19 shippers, were examined for infractions of the Naval Stores Act. 172 samples were analyzed and tested. There were 5 violations discovered. Minor infractions were called to the attention of the offenders.

On complaint of a competitive dealer in naval stores, a survey was conducted in the Pittsburgh, Pennsylvania area. Investigation disclosed fraudulent practices in interstate commerce. Documentary evidence necessary for Federal prosecution could not be obtained, however, and the case was referred to the Pennsylvania State authorities resulting in the conviction of the offender for intrastate violations.

b. Tobacco export permits. The number of certificates issued for exportation of tobacco seed for experimental purposes in 1961 totaled 71 compared with 64 in 1960.

3. Packers and Stockyards Act.

a. Activity continues to expand. During fiscal year 1961 livestock producer protection was extended by the posting of additional stockyards, registration and bonding of several thousand more market agencies and dealers, and the review and approval of reasonable tariffs to extend the protective provisions of the act to cover operations of the vast majority of markets, market agencies and dealers brought under its jurisdiction by the 1958 amendment.

The total amount of bond coverage under the Act as of June 30, 1961 was over \$121 million with 11,284 active market agency and dealer registrations in effect. The following table shows the growth over the past several years and estimates for 1962 and 1963 in the posting and registration activities.

Activity	Fiscal Year					
	:1958	:1959	:1960	: 1961	:1962(Est.)	:1963(Est.)
Yards posted	: 600	:1,528	: 2,115	: 2,217	: 2,270	: 2,320
Market agencies and	:	:	:	:	:	:
dealers registered ...	:6,560	:7,243	:11,284	:14,593	: 18,000	: 20,000
Packers under super-	:	:	:	:	:	:
vision	:2,129	:2,261	: 2,557	: 2,967	: 3,300	: 3,600
Poultry dealers licensed:	1,167	1,058	779	745	700	650

b. Unfair trade practices investigated.

- (1) Sheep and lamb industry investigation completed. This nationwide investigation inquiring into the effect upon competition of lamb buying and merchandising practices of the industry, was completed during the year and the Office of General Counsel has prepared formal complaints against 7 meat packing companies and 2 lamb dealers alleging serious violations of the Act.

As of December 8, 1961 the 2 lamb dealers were ordered to cease and disist from certain live lamb buying practices, while the cases against the 7 meat packers were still pending with hearings to be scheduled.

- (2) Livestock buying practices. Cases are in progress involving restriction of competition in the Tennessee area through illegal arrangements between a packer and independent dealers involving territorial limitations, price agreements, and dissemination of price information of competitors; collusive cattle buying arrangements having the effect of minimizing competition through apportioning supplies and exchange of price information between packers in the purchase of cattle at Denver and in the country; hog buying practices of most of the major packers in Georgia and Florida in which they were making arbitrary deductions from the agreed purchase price after they had received and taken possession of the hogs.
- (3) Elimination of the practice of yardage assessment by packers at buying stations. Information was obtained that a number of packers were assessing a yardage fee against producers who sell livestock to them at the packers' buying stations. This practice has generally been eliminated throughout the country informally and an attempt is being made to completely eliminate it.

- (4) Failure to pay for livestock purchases has continued to be a matter of concern. Most complaints received arise from the failure of a packer to pay due to his financial condition or because he made unauthorized deductions from the agreed purchase price. The following formal actions taken during the year serve to clarify the responsibility of packers in this field:

- (a) Orders were issued requiring a packer to pay for livestock purchased within the period of time established by custom at a market and prohibiting a packer from misrepresenting his financial condition to a seller and from failing to pay for livestock purchased.
- (b) A complaint has been issued which would prohibit an insolvent packer from continuing to purchase livestock without paying for it at the time of the delivery, thus allowing the packer to operate but preventing him from shifting his obligations from one seller to another and from taking steps which would further weaken his financial condition.

- (5) Meat merchandising practices. Most complaints in this area involve promotional programs or discrimination in prices. Several matters of particular significance took place during the year.

(a) In the first second-line competition case under the Packers and Stockyards Act attacking the problem of special price consideration to major chains unwarranted by savings in sales or delivery costs, the Examiner's Report (Neuhoff - P&S Docket 2430) found that a major meat packer had sold picnics to a major chain at a price which unduly discriminated against competitors of the chain, also supplied by this meat packer.

(b) The Seventh Circuit Court of Appeals unanimously upheld the decision of the Judicial Officer finding that another meat packer had engaged in price discrimination having the effect of reducing competition (Davidson Meat Company - P&S Docket 2280).

(c) An investigation is underway involving the granting of special percentage discounts by meat packers to a National buyer.

(d) Complaints have been received against sales promotion practices of a number of the major packers. Thorough investigations are being made of a representative sample of these complaints and including promotions involving product and cash gifts to consumers and gifts and premiums to employees of chain stores. One of the investigations has been completed and is under study by the General Counsel.

- (6) Misrepresentation of meat grades, quality, etc. Several investigations were conducted involving bribery of graders, use of counterfeit Federal grading equipment, falsification of documents, misuse of Federal grading and acceptance equipment, and other serious violations. Continued progress has been made, both through formal and informal action, in eliminating the misuse of Federal meat grade terms.
- (7) Scales testing increased 50% in fiscal year 1961. Approximately 9,300 tests were conducted on 5141 scales. While the overall percentage shows only 16.1% of the scales were found inaccurate, in several States where the tests were closely supervised, as high as 65% were rejected for inaccuracy, and required to be repaired or adjusted.
- (8) Weight supervision. Weighing investigations were conducted this year in the National Stockyards, and Chicago, Illinois; Nashville, Tennessee; and Montgomery, Alabama districts utilizing a livestock truck with "built in" scales. Particular emphasis was placed on checkweighing livestock at auction markets. The procedure is to arrive at the auction at the conclusion of the sale and re-weigh individual animals from individual buyers' pens. With the exception of Nashville, the investigations resulted in at least one formal action charging false weights. As an example, at one market 21 veal calves were re-weighed showing an average shortage of 11.9 pounds per head.

c. A Trade Practice Conference was held with representatives of auction market operators and arrangements were initiated for a conference with livestock producer representatives. The livestock producer conference was held in Washington D. C. July 27 and 28, 1961. Eighteen livestock producers from 15 livestock-producing States met with the Secretary, members of his immediate staff and representatives of AMS. Discussion centered around livestock marketing problems and the need for vigorous and impartial administration of the P&S Act in solving them. The subjects covered included, (1) buying and selling practices, (2) financial safeguards, (3) prices and supplies, (4) payment practices, (5) buying station charges, (6) consignment slaughtering, (7) jurisdiction, facilities and charges, and (8) scales and weighing. The informal consensus was that all phases of the administration of this law need to be intensified.

d. Analysis of Formal Proceedings under the Packers and Stockyards Act

Activity	Fiscal Year					
	1958:	1959:	1960:	1961:	1962(Est.)	1963(Est.)
Cases pending first	:	:	:	:	:	:
of year	51:	150:	133:	104:	156:	190
New & reopened cases ...	191:	83:	128:	156:	214:	261
Total cases	:	:	:	:	:	:
requiring action	242:	233:	261:	260:	370:	451
Cases disposed of	92:	100:	157:	104:	180:	250
Cases pending end of	:	:	:	:	:	:
year	150:	133:	104:	156:	190:	201

4. Standard Container Acts. On June 30, 1961, 146 factories were making or equipped to make 641 items covered by the Acts as compared with 144 in 1960 equipped to make 636 items. Tests were made of sample containers obtained from 99 factories. A total of 374 items (2,490 samples) were examined. Of this number 97 or 26% required corrections, and 66 corrections were accomplished. Certificates of approval were issued for 23 new types of containers as compared with 22 issued in 1960.

5. United States Warehouse Act.

a. Storage Capacity and Number of Warehouses Continue to Increase.

The continuing increase in licensed grain storage capacity remains the outstanding feature of this program. Licensed capacity has doubled since 1955. The increase during fiscal year 1961 was about 8 percent. The number of warehouses licensed under the Act increased to 1,753 as of June 30, 1961. Of these, 1,203 store grain, 500 store cotton, and the remaining 50 store other commodities.

b. Number of Licensed Warehouses and Capacity by Major Commodity.

Year As of June 30	Total Number	Capacity (millions)	
		Grain (Bushels)	Cotton (Bales)
1940	1,291	187.7	10.1
1950	1,483	380.1	11.0
1955	1,545	645.0	11.8
1956	1,587	711.0	12.6
1957	1,652	774.2	13.5
1958	1,682	846.2	13.3
1959	1,716	1,030.3	13.3
1960	1,742	1,188.0	13.5
1961	1,753	1,280.0	13.6
1962 (Est.)	1,775	1,350.0	13.6
1963 (Est.)	1,800	1,425.0	13.6

c. Examinations and Inspections. Federal warehouse receipts issued by licensees represent billions of dollars worth of stored products. They are relied upon by individual depositors, and by lending institutions as collateral for loans. To appraise the validity and integrity of federal warehouse receipts issued and outstanding, examination of licensed warehouses and their contents is essential. Each licensed cotton warehouse was examined at least twice during 1961. The expansion in grain licensing, however, permitted examinations of these facilities at an average of only 1.8. In approximately 35 percent of the examinations corrective actions were found necessary, relating to condition of stored products, inadequacy of quantity or quality to cover warehouse receipts, structural defects, inadequate records, or faulty housekeeping practices. It is doubtful that the 1.8 average for grain can be maintained in view of the increased volume of licensed grain capacity. The following table illustrates the problem in grain.

Fiscal year	Grain examiner (man-years)	Licensed Grain Capacity (Million bushels)	Workload per man (Million bushels)
1956	24.5	711	29.0
1957	26.5	774	29.2
1958	26.0	846	32.5
1959	28.1	1,030	36.7
1960	31.5	1,188	37.0
1961	30.0	1,280	42.6
1962 (Est.)	30.0	1,350	45.0

6. Freight Rate Services.

a. Producers' Interest Guarded. Rail freight rate reductions influenced by motor carrier and water competition were quite numerous in 1961. This was particularly true on grain moving from inland production and storage areas to ports for shipment by water to foreign markets, and on domestic movements to flour milling and feed mixing centers. Such rate adjustment cases are particularly complex because they involve movements which are peculiarly competitive and often leave less competitive producing areas without similar adjustments. This involves the widening of market areas for some producers and the narrowing of market areas for others. New freight rates, to be equitable, should, but do not always, take into account the impact on producers everywhere. Domestic carriers and public regulatory bodies are encouraged to establish rates which will, within reason, permit the marketing and movement of farm products in as many consuming areas as possible.

A competitive advantage pursued by certain progressive railroads has been to give lower freight rates to shippers where they load freight cars heavier. This is a continuation of a trend which has been evident for some time. One railroad now proposes to offer very low rates on grain moving in "jumbo" freight cars holding 200,000 pounds of payload as contrasted with 100,000 pounds in the conventional car.

Some southwestern railroads have been successfully furnishing trailer on flat car service for fresh fruits and vegetables for several years. This method of transportation has now been established by some southeastern railroads, and there is evidence of consideration by the Transcontinental Railroads of inaugurating this service from the west to eastern markets. This method of shipping results in less handling at both ends of the trip, no stops for re-icing as the trailers are refrigerated, and faster service, all of which puts perishable fruits and vegetables into the hands of the consumer in better condition, faster, and at less cost.

b. Action Taken During 1961. During the year the Department participated in 115 actions before the Interstate Commerce Commission, Federal Maritime Board, Civil Aeronautics Board, United States Courts, and carrier bureaus and committees.

Of the 39 issues concluded, 30 or 77% were completed favorably to the Department. The agricultural community in each of the 50 States was affected to some degree by these actions. The various agricultural commodities or rates affected by the above actions are shown in the following table. It is estimated that these activities will continue at about the same levels in 1962 and 1963.

Type of Action and Commodities or Rates Affected	Fiscal Year 1961 Number
<u>Formal Litigation</u>	
Interstate Commerce Commission	72
Federal Maritime Board	2
Civil Aeronautics Board	1
U.S. Courts	5
<u>Information negotiations</u>	35
Total	115
<u>Commodities or Rates Affected:</u>	
Fruits and vegetables	24
Grain and grain products	35
Livestock and meats	2
Wool and mohair	4
Sugar	3
Fertilizer and fertilizer material ...	4
Air rates - General	1
Motor carrier rates - General	27
Rail rates - General	13
Water rates - General	2
Total	115

7. Export Grape and Plum Act.

Discussions of prospective regulations under the Export Grape and Plum Act disclosed that the application of identical regulations to all varieties of grapes and plums would be unduly restrictive to some varieties. The act was recently amended to provide for the issuance of regulations separately for different varieties, and to provide for the exemption of certain varieties. This has cleared the way for the preparation and issuance of regulations in fiscal year 1962.

8. Federal Cost of Regulatory Activities.

Item	1961	1962 (Est.)	1963 (Est.)
Total cost of activity	\$3,232,482	\$3,453,740	\$3,930,740
Less reimbursements	5,109	5,595	5,595
Paid from appropriation	3,227,373	3,448,145	3,925,145
Less income to General Revenue			
Fund of Treasury	68,330	69,600	70,100
Net cost to taxpayer	\$3,159,043	\$3,378,545	\$3,855,045
Percent of total cost charged to taxpayer	98	98	98
Percent of total cost covered by revenue	2	2	2

5 ADMINISTRATION AND COORDINATION OF STATE PAYMENTS

Current Activities: This project covers the Federal administration and coordination of the matched-fund cooperative marketing service work performed under the appropriation "Payments to States and Possessions." The purpose of this program is to solve marketing problems at the State and local level through projects proposed and carried out by State Departments of Agriculture but approved and financed in part by the Agricultural Marketing Service. During fiscal year 1961 this work was carried on through 117 projects by 40 States, the same as in 1960.

Selected Examples of Recent Progress and Trends:

1. All Cooperating States Except Alaska Visited.

a. Agricultural Marketing Service staff members visited 30 States cooperating in the program in order to assess the progress being made; counsel with the States concerning operating problems; and to give them the benefit of successful program approaches and techniques used in other States faced with comparable problems. In reviewing these programs efforts have been made to determine whether any work was under way which had not been authorized, which was not in conformity with legal restrictions and policy, or which should have been carried out by other State agencies. During the visits, the financial accounts pertaining to the programs were examined to see whether the funds were adequately matched and whether expenditures were in accordance with legal restrictions and administrative policies.

b. Effective solution of many of the marketing problems on which State Departments of Agriculture are being requested by producers and marketing agencies to provide assistance requires joint and coordinated actions of the States. An important function of the Federal staff is to bring about program coordination and direction through consultations with State officials in charge of administering marketing programs and the State marketing specialists assigned to this work. These consultations, together with the written annual analysis and summarization of State work, provide an effective means of improving the work being carried on under this program.

2. Four Workshops Held.

a. During the year a 3-day National Marketing Service Workshop was held in Biloxi, Mississippi, on accomplishments in marketing through service programs. This workshop was attended by 247 people from 37 States, and the District of Columbia. Proceedings of the workshop were compiled and published and copies sent to each State in the matching-fund program and all participants in the workshop.

b. In conjunction with the workshop, a one-day meeting was held for representatives from the States conducting marketing service projects designed to expand the sale of potatoes. The purpose of this workshop was the exchange of ideas and coordination of promotional efforts.

c. Another workshop was held during the year at Green Lake, Wisconsin to develop means of improving and coordinating virus-free nursery stock certification programs conducted under the matching-fund program in California, Michigan, Minnesota, and Oregon. The principal topics discussed were: the status of the program in each State, means of accelerating progress toward certification, and new areas in which programs should be initiated. This workshop was sponsored jointly by Agricultural Marketing Service and the participating States and was held prior to the annual meeting of the American Phytopathological Society. The advisory committee representing State Departments of Agriculture reviewed and evaluated the work underway and reached conclusions on the types of activities which should be encouraged.

d. The fourth workshop was held May 17 and May 18, 1961, at Roanoke, Virginia attended by eight States and District of Columbia.

(b) Construction of Facilities

Appropriation Act, 1962 and base for 1963	- -
Budget Estimate, 1963	<u>\$1,600,000</u>
Increase (for construction of a national peanut marketing research facility at Dawson, Georgia)	<u>+1,600,000</u>

PROJECT STATEMENT

Project	: 1961	: 1962 (estimated)	: 1963 (estimated)
Construction of marketing research facilities	: --	: --	: \$1,600,000(1)

INCREASE

(1) An increase of \$1,600,000 for construction of a facility at Dawson, Georgia primarily for marketing research on peanuts.

Need for Dawson Laboratory: All segments of the peanut industry, including farmers, have been faced with **quality** problems multiplied by rapid advances in mechanization at the farm level. The sheller has been concerned about hidden damage, splitting and skin slippage. There is a need for more accurate methods of determining the quality of peanuts purchased, and improved methods for handling, storing, and grading raw peanuts. Peanut butter manufacturers, salters, and candymakers have complained that new harvesting and curing methods are adversely affecting peanut quality. Many specific quality defects, such as hard peanuts, chalky and off-flavor nuts, are becoming a problem. The difference between varieties in respect to these problems needs thorough investigations. Cultural practices, harvesting, handling and curing practices should be studied as to their effect on quality. Less expensive, more efficient and effective methods, equipment and facilities for handling, storing and transporting peanuts must be developed.

Insect damage to peanuts is an increasingly serious problem. Harvesting with combines has aggravated the problems of insect damage in storage by increasing the number of loose kernels and cracked pods which are easily attached by insects.

Site Selection: The Department's 1962 Appropriation Act, provided \$130,000 under the Marketing Research and Agricultural Estimates sub-appropriation to develop architectural plans and specifications for these facilities and to accelerate marketing research on peanuts. A minimum of \$100,000 of this amount has been programmed to develop plans and specifications for the laboratory and the remainder to step up research. In 1963 these funds will be used to continue the expansion of the peanut marketing research program.

After considering possible locations, a site at Dawson, Georgia was selected and arrangements have been worked out for donation of the necessary land and the provision of connecting utilities. The Dawson site is located close to the center of national peanut production and is near the heart of the Georgia-Alabama-Florida area which produces approximately 1/2 of the national peanut crop. Georgia produces nearly 1/3 of the total U.S. peanut crop.

This laboratory would provide facilities for a complete quality analysis of peanuts at each stage after harvest and in marketing channels, to enable producers and the trade to place a superior product on the market and to improve the efficiency of storage, conditioning and handling operations. Facilities are needed to provide for research designed primarily to protect market quality of peanuts, and also improve work methods, equipment and layout for performing handling and sorting operations in marketing channels. Emphasis will be given to prevention of deterioration in storage and insect damage, and to methods for determining the quality of peanuts. New harvesting and curing methods are said to be adversely affecting peanut quality. Also new means of measuring quality are required to create more meaningful grade standards and grading methods and equipment. Space would also be provided for Agricultural Research Service engineering research principally on problems related to peanut harvesting. The total cost of \$1,600,000 includes \$100,000 for the ARS space. Major emphasis of the laboratory would be on national peanut marketing research problems. Following establishment of the peanut marketing research program, some attention would be given to research on other agricultural products.

Proposed Construction: The basic structure would be brick, either one or two stories, containing rooms for laboratory controlled temperature chambers, controlled gas storage, radioactive isotope instrument rooms, pilot plant, and shop. Certain outdoor facilities would also be required, such as bins for peanut storage research.

Space: The proposed laboratory would contain approximately 33,000 sq. ft. and the pilot plant and shop approximately 24,000 sq. ft. of space.

Personnel Requirements: The program planned for this laboratory would utilize sixty scientists, engineers, Food technologists, and supporting technical, clerical and other personnel. Four of these employees would be transferred from their present inadequate facilities and the remainder would be new recruitments.

The cost of the laboratory excludes equipment which would not be built in as part of the construction. Funds for such equipment will be requested in estimates for subsequent years.

(c) Payments to States and Possessions

Appropriation Act, 1962 and base for 1963	\$1,325,000
Budget Estimate, 1963	<u>1,325,000</u>

PROJECT STATEMENT

Project	:	1961	:	1962	:	1963
	:		:	:(estimated)	:	:(estimated)
Payments for marketing service work	:		:		:	
under sec. 204(b) of the Agricultural	:		:		:	
Marketing Act of 1946	:	\$1,195,000	:	\$1,325,000	:	\$1,325,000

STATUS OF PROGRAM

Current Activities: This activity enables State marketing agencies to put into practical application improved marketing practices which research work has developed. These methods and practices aid in maintaining quality, expanding outlets, and reducing deterioration and spoilage of farm products. The program also helps move seasonal commodity surpluses to their best market, reduce marketing costs, and increase returns to farmers from the marketing of their products.

The Federal payments, authorized by Section 204 (b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U. S. Department of Agriculture, State Departments of Agriculture, Bureau of Markets, and similar State agencies for the conduct of eligible marketing service activities on a matching fund basis. The States contribute at least half of the costs and perform the work with State personnel.

The amount of the Federal payment to a State is based upon an evaluation of the relative urgency of the marketing service problem confronting the State, the probable effectiveness of the proposed plan for solving or alleviating the problem, the ability of the State to carry out the program proposed, and the availability of matching funds.

As a result of an increased 1962 appropriation, the program in several States has been made more effective and new and expanded projects are being conducted during the current year. Among these are: Preliminary work is under way in Florida in developing improved methods for sampling and determining pounds solids of oranges for processing, and in establishing an improved marketing information service for the livestock, dairy, and poultry industries in the State. In Missouri, the gathering of information on production and utilization, prices, supplies and storage stocks of the State's agricultural products; and in Hawaii, developing grades and standards for Kona coffee and studying the need for additional market news service covering this product. In addition to above projects, new projects were initiated by Alabama, California, New Jersey, New Mexico, Oklahoma and Wisconsin.

Forty States conducted 117 separate projects under the activity during fiscal 1961.

Selected Examples of Recent Progress

Some examples of the work performed and results accomplished in representative States under the program in 1961 follow:

Efficiency of milk handling improved

Several States worked with dairy plants to improve efficiency of milk handling. For example, North Dakota assisted many cream producers entering the milk manufacturing field for the first time in selecting and installing the proper equipment to insure efficient and sanitary handling of milk. The rapid conversion to farm milk tanks required Mississippi to provide continuing assistance to milk producers in the operation and maintenance of new equipment.

Adoption of official standards results in higher income to producers

Under the quality improvement and merchandising program in New Jersey growers were encouraged to adopt new official standards for size and quality of fresh asparagus and as a result received an increase in price of about 60 cents a crate during the past three years.

Causes of poultry quality defects identified

A program of statistical quality control in poultry processing plants initiated by Maryland resulted in the principal quality defects on Delmarva poultry being pinpointed as to cause. This set the stage for an aggressive program for the elimination of defects and a substantial reduction in the percentage of "downgraded" birds.

Damage to strawberries in shipment reduced

Louisiana worked with growers, shippers, and distributors in getting an improved variety of strawberry shipped to market. About 60% of the crop was shipped in an improved 12-pint corrugated flat which sold at a premium of 50 cents. A significant result of this work is the fact that for the first time in the history of the Louisiana strawberry industry, fresh strawberries which were shipped to Chicago and other markets were able to meet competition and sell for equal or higher prices.

Packaging of uniform sizes increases returns

Michigan potato growers and packers, encouraged to package and market uniformly sized potatoes, reported increased sales and additional prices of from 30 cents to 40 cents per hundredweight for their potatoes.

Demonstrations increase demand for lower priced cuts of meat

Demonstrations conducted by Kansas included identification, selection, and cooking of economical meat cuts, which were instrumental in creating a demand for lower priced parts of beef, pork, and lamb carcasses, thereby making the entire carcass more valuable and increasing the overall return to the producer.

Acceptability of farm products promoted

The Iowa department of agriculture expanded its new marketing service program to improve quality and market acceptance of Iowa farm products. A major step in carrying on the program was the preparation and distribution of an Iowa Agricultural Quality Product Directory for use of food brokers, buyers, grocers, and any other persons interested in buying Iowa agricultural products.

New soybean stations planned

North Carolina assisted two firms with no nearby markets to plan soybean stations which when completed will provide a market for from 500,000 to 700,000 bushels of soybeans annually, and thus save farmers about 5 cents per bushel in transportation costs.

Aid to wheat growers increases returns

Detailed reports on wheat production by protein content for 43 counties in Montana have enabled growers to market their high protein wheat at premium prices.

State Participation by Fields of Work: This work falls into four general fields; the number of States conducting projects and the distribution of payments under each category is shown below:

	<u>Field of Work</u>	<u>No. of States</u>		<u>Payments</u>	
		1961	1962	1961	1962
(1)	Improving and maintaining the quality of agricultural commodities	27	30	\$384,916	\$445,660
(2)	Increasing markets for agricultural commodities	24	21	399,572	393,142
(3)	Increasing marketing efficiency and reducing costs	12	13	97,367	112,203
(4)	Assembling and disseminating marketing information including statistics and data on improved facilities and methods	29	31	313,145	373,995
				<u>1,195,000</u>	<u>1,325,000</u>

Distribution of Payments: The distribution of payments by States for 1961 and 1962 are shown in the following table.

DISTRIBUTION OF PAYMENTS BY STATES

State	:	F. Y. 1961	:	F. Y. 1962
Alabama	:	\$20,601	:	\$24,000
Alaska	:	6,472	:	7,000
Arkansas	:	10,000	:	11,876
California	:	100,000	:	100,000
Colorado	:	10,000	:	17,000
Florida	:	46,600	:	53,500
Georgia	:	38,500	:	40,605

Hawaii	-	5,400
Illinois	25,005	22,134
Indiana	39,550	46,326
Iowa	15,000	30,000
Kansas	50,000	51,907
Kentucky	31,547	38,500
Louisiana	60,941	61,353
Maine	55,500	55,500
Maryland	13,419	17,900
Massachusetts	7,379	11,750
Michigan	22,284	23,580
Minnesota	42,494	45,000
Mississippi	53,000	54,000
Missouri	5,600	35,000
Montana	11,800	13,200
Nebraska	2,500	3,250
New Jersey	38,000	46,500
New Mexico	20,000	27,000
New York	56,999	62,000
North Carolina	58,900	60,718
North Dakota	49,953	52,451
Ohio	8,133	7,500
Oklahoma	23,000	23,000
Oregon	25,600	24,375
Pennsylvania	18,603	7,500
South Carolina	20,000	19,750
South Dakota	8,753	8,750
Tennessee	19,000	20,000
Texas	18,000	20,000
Vermont	9,416	10,000
Virginia	50,500	58,500
Washington	27,087	30,000
West Virginia	32,000	35,000
Wisconsin	42,864	43,175
Total	<u>1,195,000</u>	<u>1,325,000</u>

(d) Special Milk Program

Authorization for advances from Commodity Credit Corporation, 1962	\$105,000,000
Budget Estimate, 1963, direct appropriation	<u>105,000,000</u>

NOTE: The 1963 estimate provides for continuation of the program at the 1962 level, but shifts the financing from advances from CCC to a direct appropriation.

PROJECT STATEMENT

Project	1961	1962 :(estimated)	:Increase or: Decrease	1963 :(estimated)
1. Cash payments to States:	\$84,333,160:	\$104,200,000:	- -	:\$104,200,000
2. Operating expenses ...	652,535:	800,000:	- -	: 800,000
Subtotal	84,985,695:	105,000,000:	- -	: 105,000,000
Balance of authorization	10,014,305:	- -	- -	: - -
Total authorization or	:	:	:	:
estimate	95,000,000:	105,000,000:	- -	: 105,000,000

EXPLANATION

Since its inception in 1955, the Special Milk Program has been financed through advances from Commodity Credit Corporation funds. During this time, the authorization has been amended several times to extend the period, broaden the coverage, and increase the level of funds authorized. P.L. 87-67, enacted June 30, 1961, authorized \$105,000,000 for fiscal year 1962.

The Agricultural Act of 1961 (Public Law 87-128) approved August 8, 1961, changed the financing of the program to a direct appropriation beginning July 1, 1962, and each of the four fiscal years thereafter. This appropriation will provide for continuation of the program in fiscal year 1963 at the same level of \$105 million authorized for 1962. Since CCC funds will not be used to finance the program in the 1963 fiscal year, there will be a corresponding decrease in the budget for the Corporation.

The program is designed to obtain increased consumption of fluid milk and extends to children in schools, child-care centers, summer camps and similar institutions devoted to the care and well-being of children.

In 1961 under this program approximately 2.5 billion half pints of fluid milk were consumed by children--more than five times the quantity in 1955, the first year of operation of the program. In many areas of the country the potential for increased milk consumption by children is still great.

Efforts are being undertaken to bring the benefits of this program to more needy schools and needy children in areas of greatest economic distress. Special assistance is being conducted this year on an experimental basis as a companion program to the assistance to especially needy schools under the School Lunch program.

An appropriation of \$105 million--the amount authorized for 1962--is estimated to be required to meet the program needs in 1963.

STATUS OF PROGRAM

Authority

The Special Milk Program was initially authorized in 1955 to operate at an authorized level of \$50 million in nonprofit schools of high school grade and under. Late in fiscal year 1956, legislation was enacted to expand the program to nonprofit summer camps and child-care institutions devoted to the care and training of underprivileged children on a special welfare or charitable basis. In July 1956, the legislation was amended to further expand the program to all nonprofit summer camps and child-care institutions devoted to the care and training of children. The program was extended through fiscal year 1962 with an authorization to use Commodity Credit Corporation funds up to \$95 million for 1961, and \$105 million for 1962. The Agricultural Act of 1961 (Public Law 87-128) approved August 8, 1961 changes the financing of the program to a direct appropriation beginning July 1, 1962.

Purpose

The primary objective of the program is to increase the consumption of fluid milk by children. Efforts are being undertaken to bring the benefits of this program to more needy schools and needy children in economically distressed areas.

Operation

1. Assistance is provided, in the form of reimbursement payments, to eligible schools and child-care institutions to help them to inaugurate a milk service or to expand the existing service through reducing prices to children and establishing new times of service.
 - a. The maximum rate of reimbursement in schools and institutions where milk is sold as a separately priced item is 3¢ per half pint except for schools which also serve Type A lunches in the National School Lunch Program. The latter may receive up to 4¢ reimbursement per half-pint but may not claim reimbursement for milk served as part of the Type A lunch under the National School Lunch Program.
 - b. In those schools and child-care institutions that do not sell milk as a separate item, the reimbursement rate is 2¢ per half pint for all milk served to children. In order to qualify for participation in the program such schools, camps and institutions must submit for approval the specific methods and practices by which they will increase milk consumption under the program.
 - c. Special provisions have been inaugurated in fiscal 1962 to provide assistance to those schools which, because of poor local economic conditions, have not been able to operate a food or milk service and are in need of special assistance to serve milk without charge to needy children. Such schools must submit an application for such special assistance indicating the specific circumstances which would make them eligible for the program and stating that they will serve such milk without charge to needy children in the school. The level of Federal reimbursement for milk served to needy children without charge may be up to the cost of milk to such schools. The level of Federal reimbursement for milk served to paying children in such schools is in accordance with the regular reimbursement as outlined in (a) above.

2. Procedures have been established to assure that maximum use of the reimbursement payments is made to reduce the price of milk to children as a means of encouraging increased consumption. The amount of reimbursement provided within the maximum established rates depends upon the cost of milk to the school or institution and the proposed selling price to children.
3. The program is administered within the States by the State agencies to the greatest extent possible. Funds for reimbursement payments are advanced generally in nine monthly payments to State agencies in amounts consistent with anticipated program needs. AMS administers the program directly for private schools and other outlets where the State agency is prohibited by law from disbursing funds to such participants.
4. No Federal funds are used by the State agencies for administering this program in the States. The total Federal costs, i.e., the cash reimbursements and the Federal Government's administrative expenses, are limited each fiscal year to the amounts authorized. The cost of Federal administration through fiscal year 1962 are charged to an allocation from the administrative expense limitation of the Commodity Credit Corporation.

Selected examples of recent progress

<u>Program Statistics by Fiscal Years</u>			
	<u>Number of Outlets Participating</u>	<u>Half-pints Reimbursed (millions)</u>	<u>Total Reimbursement Payments</u>
1955	41,094	449.8	\$17,220,281
1956	62,266	1,394.2	45,842,194
1957	71,239	1,752.7	60,411,200
1958	76,478	1,918.2	66,288,522
1959	81,587	2,176.2	74,222,949
1960	83,922	2,384.7	80,468,793
1961	86,494	2,476.7	84,333,160
1962 (est.)	87,500	2,700.0	95,000,000
1963 (est.)	88,500	2,960.2	105,000,000

From 1960 to 1961 the number of participating schools and institutions increased from 83,922 to 86,494. Of the latter figure there were 81,522 schools and 4,972 child-care institutions and summer camps. The number of one-half pints of milk reimbursed increased from nearly 2.4 billion in 1960 to almost 2.5 billion in 1961. During this same period expenditures rose from \$80.5 million to \$84.3 million.

Number of Half-pints of Milk Reimbursed

<u>Month</u>	<u>:</u>	<u>F.Y. 1960</u>	<u>:</u>	<u>F.Y. 1961</u>
				(thousands)
July	:	32,090	:	35,080
August	:	26,127	:	31,146
September	:	221,998	:	247,570
October	:	303,704	:	292,537
November	:	249,385	:	266,215
December	:	200,867	:	195,331
January	:	254,074	:	276,787
February	:	254,225	:	259,520
March	:	292,041	:	277,545
April	:	220,245	:	245,893
May	:	247,404	:	270,188
June	:	82,540	:	78,912
Total	:	2,384,700	:	2,476,724

The following table reports by State the number of outlets participating, number of half-pints reimbursed and obligations for 1960 and 1961.

State	No. of Outlets		Est. No. 1/2 Pints		Obligations	
	Participating		Milk Reimb. (Mil.)		(Thousands)	
	1960	1961	1960	1961	1960	1961
Ala.	1,563	1,563	35.8	37.7	1,263	1,231
Alaska	37	51	.7	.9	23	23
Ariz.	487	535	14.3	16.0	486	527
Ark.	1,088	1,105	17.8	18.0	673	678
Calif.	6,061	6,380	266.2	245.4	7,630	7,810
Colo.	1,069	1,093	20.6	26.1	678	833
Conn.	936	957	31.3	34.7	974	1,181
Del.	172	186	7.0	7.9	237	261
D.C.	201	201	14.0	13.4	422	405
Fla.	1,459	1,540	45.1	48.4	1,324	1,400
Ga.	1,696	1,696	29.6	30.3	1,040	1,032
Hawaii	248	218	5.3	5.4	185	193
Idaho	443	472	6.1	6.4	209	218
Ill.	4,608	4,434	167.0	173.9	5,851	6,041
Ind.	1,894	2,123	51.8	56.3	1,910	2,014
Iowa	2,272	2,274	46.3	47.9	1,703	1,767
Kans.	1,244	1,297	25.6	29.0	909	977
Ky.	1,623	1,641	36.0	38.4	1,340	1,441
La.	1,051	1,096	13.6	14.5	507	538
Maine	879	916	10.8	12.0	360	397
Md.	1,161	1,217	44.2	47.0	1,595	1,707
Mass.	2,606	2,769	90.5	91.6	2,898	2,900
Mich.	4,581	4,669	143.7	151.1	4,823	5,219
Minn.	2,720	2,748	64.7	66.4	2,323	2,449
Miss.	1,074	1,073	31.4	36.1	1,212	1,397
Mo.	3,014	3,043	60.1	65.8	2,219	2,405
Mont.	370	389	4.5	4.8	156	167
Nebr.	757	823	13.9	15.0	485	521
Nev.	162	169	2.9	3.0	81	86
N. H.	411	434	7.0	8.6	245	285
N. J.	1,786	1,960	73.0	72.2	2,358	2,380
N. Mex.	578	576	23.3	25.5	634	706
N. Y.	5,168	5,434	247.3	250.3	9,145	9,211
N. C.	2,186	2,188	44.6	47.6	1,505	1,581
N. Dak.	466	495	8.5	9.0	298	314
Ohio	4,055	4,134	151.7	160.5	4,912	5,186
Okla.	1,245	1,255	27.2	28.5	886	905
Oreg.	895	1,031	15.9	17.7	510	558
Pa.	5,026	5,078	123.8	128.7	3,956	4,050
R. I.	297	323	11.0	11.3	360	370
S. C.	1,116	1,116	17.9	18.2	612	625
S. Dak.	645	658	13.4	13.7	418	427
Tenn.	2,294	2,261	52.7	55.3	1,727	1,830
Tex.	2,657	3,009	73.3	79.9	2,608	2,836
Utah	428	451	6.8	7.4	244	270
Vt.	335	410	4.7	5.2	161	175
Va.	1,546	1,601	43.6	46.2	1,533	1,610
Wash.	1,414	1,549	35.2	39.1	1,305	1,433
W. Va.	1,054	1,049	11.9	12.2	417	425
Wis.	4,608	4,544	87.2	92.0	2,972	3,184
Wyo.	236	260	3.9	4.2	147	154
Total	83,922	86,494	2,384.7	2,476.7	80,469	84,333

(a) School Lunch Program

Appropriation Act, 1962 ... \$125,000,000
Budget Estimate, 1963 ... 125,000,000

NOTE: In addition, 1962 Act and 1963 Budget Estimates provide that \$45 million shall be transferred from Section 32 funds for purchases of agricultural commodities for distribution to schools.

PROJECT STATEMENT
(Includes direct appropriation and transfer of
Section 32 funds)

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
1. Food assistance:				
(a) Cash payments to States	\$93,664,579	\$98,600,000	+\$10,000,000	\$108,600,000
(b) Commodity procurement	59,352,582	69,434,000	-10,000,000	59,434,000
2. Operating expenses	1,622,341	1,966,000	-	1,966,000
Subtotal a/	154,639,502	170,000,000	-	170,000,000
Unobligated balance ..	360,498	-	-	-
Total available or estimate	155,000,000	170,000,000	-	170,000,000
Transferred from				
"Removal of Surplus Agricultural Commodities"	-45,000,000	-45,000,000	-	-45,000,000
Total appropriation or estimate	110,000,000	125,000,000	-	125,000,000

a/ Represents obligations. Applied costs for 1961 are \$154,624,184. The difference of \$15,318 reflects, primarily, excess of procurement orders placed in 1961 over commodities used in 1961.

INCREASE AND DECREASE

(1) An increase of \$10,000,000 for cash payments to States to provide special assistance to needy schools, offset by a like decrease in Section 6 commodity procurement.

The 1962 Appropriation Act provides for assistance to needy schools through special commodity distribution. To carry out this provision, experimental operations are being undertaken in a limited number of schools which, because of poor economic conditions, have not been operating a school lunch program. Experience to date indicates that this type of special assistance is cumbersome and expensive to administer.

The need for special assistance programs is in widely scattered locations; only in areas of West Virginia, eastern Kentucky, and portions of Tennessee and Pennsylvania is there any concentration of needy schools, and even here many are not readily accessible to normal transportation facilities. This eliminates the possibility of carlot shipments and results in costly deliveries in relatively small quantities, thus materially increasing transportation and distribution costs.

Even more important is the very real problem that exists in attempting to meet nutritional needs, particularly of Vitamins A and C. Since these schools have very limited or no facilities for preparing lunches, only a very limited variety lunch is practicable under the program. It is almost impossible, for example, to provide fresh or frozen fruits and vegetables.

The urgent need, in these needy schools, therefore, is cash that can be used to procure items locally to supplement those foods available under the regular Section 6 and other donated food programs.

The increase proposed for cash payments is to provide special assistance to help particularly needy schools defray the cost of serving lunches to needy children. In utilizing these funds, the Secretary would prescribe standards and criteria under which this special assistance would be administered.

The Department would provide guidance to the State Agencies in selecting the especially needy schools and determining within limits the amount of special assistance needed. The guidelines, standards and criteria to be used would be predicated upon the experience gained in selecting needy schools under the special commodity assistance program authorized for the current year.

Schools eligible for such special assistance will be concentrated in known areas of high unemployment or severe economic distress, but the special program would not be limited to such areas. Assistance would be provided especially needy schools already operating a lunch program as well as needy schools with no lunch program -- schools which, with special assistance, would be able to serve lunches to needy children otherwise not able to obtain a lunch.

As an offset to the increase in cash assistance, the additional commodity procurement and the special commodity assistance for which increased funds were authorized in the fiscal year 1962 would be discontinued.

STATUS OF PROGRAM

The School Lunch Program is designed to:

1. Broaden the market for agricultural food commodities by:

- a. Providing an expanded market for agricultural commodities through local purchases of food by school lunch programs in commercial channels of trade;
- b. Serving as a valuable outlet for agricultural commodities purchased by the Department to alleviate local and seasonal surpluses;
- c. Expanding the outlet for highly nutritious foods, particularly in areas of nutritional deficiencies;
- d. Introducing a wider variety of foods, thus creating a demand for commodities that many families otherwise would not buy.

2. Improve the health and well-being of the Nation's children by:

- a. Providing them a well-balanced lunch at school to help fill their daily nutritional requirements.

Experience indicates that children who get lunch under this program, compared with those who do not, show:

- (1) more rapid gain in weight and height;
- (2) better attendance records;
- (3) improvement in scholastic standing;
- (4) better deportment;
- (5) higher resistance to colds and other illnesses.

- b. Developing proper and nutritionally beneficial food habits which will continue in later life.

Current activity under the program includes:

1. Furnishing cash assistance to schools for food purchases by:

- a. Apportioning among the States and Possessions a minimum of 75% of the total appropriated funds available on the basis of need as indicated by:
 - (1) State per capita income compared with United States per capita income;
 - (2) State population of children 5 to 17 years of age.

- b. Making periodic advances of the apportioned funds to State agencies to enable them to reimburse participating schools for a portion of the food costs of lunches served when the schools:
 - (1) agree to operate on a nonprofit basis;
 - (2) serve meals meeting minimum nutritional standards prescribed by the Secretary of Agriculture;
 - (3) offer lunch to all children attending the school and serve it free or at reduced cost to children who are unable to pay the full cost;
 - (4) agree to purchase commodities designated by the Secretary of Agriculture as being in abundance.
- c. Paying the funds directly to participating private schools in 28 States and Guam where State laws forbid disbursement of Federal funds by State agencies to private schools. (A proportionate share of the State's total apportionment is set aside for this purpose.)

2. Furnishing food items to schools for lunch programs by distributing to schools through State distributing agencies, commodities acquired under:

- a. Section 6, National School Lunch Act. Commodities are purchased on the basis of their nutritional value and acceptability, and distributed to schools participating in the school lunch program under this act. In addition, under authority contained in the annual Appropriation Act funds are transferred from Section 32 for the purchase and distribution of agricultural commodities and other foods pursuant to Section 6 of the National School Lunch Act.
- b. Removal of Surplus Agricultural Commodities (Section 32, Act of August 24, 1935, as amended.) Commodities purchased under surplus removal programs are donated to authorized outlets, including all eligible school lunch programs.
- c. Commodity Credit Corporation. (Section 416, Agricultural Act of 1949, as amended.) Commodities acquired under price support programs may be donated to authorized outlets, including all eligible school lunch programs.

3. Furnishing administrative and technical assistance to State agencies and participating schools with respect to:

- a. management of funds
- b. purchase and storage of food
- c. proper use of equipment
- d. preparation and serving of meals
- e. maintenance of records and preparation of reports
- f. development of recipes, particularly to utilize donated and plentiful commodities
- g. reasons for participation and nonparticipation in program

4. Making reviews and audits which provide for:
- a. annual audits of the records of State agencies and selected schools;
 - b. comprehensive administrative analyses of State agencies' operation under the program;
 - c. administrative reviews in individual schools.

Program policy is to encourage and assist State educational agencies to assume increasing responsibility for the administration of the program. In addition to the responsibility for the administrative review of individual programs which all States have assumed, 17 States have assumed responsibility for individual school audit programs.

Examples of recent progress and trends;

The School Lunch Program furnished noon-day meals to almost 32% of the Nation's 42,205,000 school children in the fiscal year 1961. This program also utilized 3.5 billion pounds of food, of which 3.0 billion pounds were purchased in local markets and .5 billion pounds were donated by the Department.

A. Peak month participation was 13.5 million children in 1961 - 4.8% over 1960

Participation in the National School Lunch Program
Fiscal Years 1960 and 1961 by month

Month	: No. of Schools :		: Number of Children	
	: Fiscal Years			
	: 1960 :	: 1961 :	: 1960 :	: 1961
July	: 892:	: 2,150:	: 130,044:	: 147,773
August	: 5,303:	: 5,613:	: 779,395:	: 824,104
September	: 59,633:	: 61,260:	: 12,122,603:	: 12,801,425
October	: 60,957:	: 62,176:	: 12,450,206:	: 13,076,331
November	: 62,325:	: 63,576:	: 12,839,272:	: 13,397,751
December	: 62,306:	: 63,961:	: 12,746,042:	: 13,453,410
January	: 62,681:	: 63,719:	: 12,587,277:	: 13,237,700
February	: 62,990:	: 64,309:	: 12,467,114:	: 12,984,389
March	: 62,857:	: 64,328:	: 12,333,188:	: 12,940,641
April	: 62,353:	: 63,864:	: 11,968,803:	: 12,683,682
May	: 61,181:	: 62,406:	: 11,958,920:	: 12,404,357
June	: 21,028:	: 22,118:	: 3,933,667:	: 3,814,605
Average, Sept. - May	: 61,920:	: 63,290:	: 12,385,936:	: 12,998,548
Peak Number	: 62,990:	: 64,328:	: 12,839,272:	: 13,453,410
Peak Month	: Feb. :	: Mar. :	: Nov. :	: Dec.

Year to year comparisons in number of schools participating are affected by the school consolidation program.

B. Special Food Assistance to Needy Schools

The Department of Agriculture and Related Agencies Appropriation Act of 1962 authorized the Department to use up to \$2 1/2 million of the funds appropriated for commodity assistance under the Act to provide special food assistance to needy schools which, because of poor local economic conditions (1) have not been operating a school lunch program, or (2) have been serving free or at substantially reduced prices at least 20 percent of the lunches to children.

Fiscal Year 1962 operations in the use of these funds have been inaugurated on an experimental basis, with priority attention to those especially needy schools which previously have not been able to operate a lunch service for attending children. In addition, the Department has been working with States to insure that those schools serving a relatively large proportion of free meals receive special consideration in the distribution of regular school lunch cash and commodity assistance. Department Regulations governing the program were amended to provide up to a maximum of 15 cents in cash reimbursement for Type A meals served in such schools. The regular maximum Type A rate is 9 cents. (

C. Selected Statistical Material and Analyses

The following tables present analyses of the growth and scope of the School Lunch Program:

Tables I - Source of Funds, Matching Requirements and Participation,
and I-a in the first year of operation and the latest 4 years and
analyses.

Table II - Apportionment Basis, by States, 1962.

Table III- Federal and State Financing 1961, by States.

Table IV - Children and Schools Participating 1961, by States.

Table V - Commodities Distributed in 1960 and 1961, by quantity and cost. (

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

TABLE I

School Lunch Program

Source of Funds including Special Milk, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First year) and Fiscal Years 1959 - 1962

Item	1947	1959	1960	1961	1962 (Est.)
1. Method of Financing Program					
Contributions from Federal Sources					
a. Direct appropriation					
School Lunch Act					
Cash payments-Food (obligations)	\$ 59,853,146	\$ 93,793,701	\$ 93,663,797	\$ 93,664,579	\$98,600,000
Section 6 (distribution) 1/	5,735,269	42,669,843	61,108,847	61,080,734	69,434,000
Total	65,588,415	136,463,544	154,772,644	154,745,313	168,034,000
b. Donated Commodities					
Section 32	2,312,479	44,414,788	28,602,391	58,617,957	27,400,000
C.C.C. (416)	-	22,406,903	42,313,432	13,005,475	83,700,000
Total	2,312,479	66,821,691	70,915,823	71,623,432	111,100,000
c. Special Milk Program	-	72,350,938	78,063,506	81,821,380	101,074,000
Total, Federal Contributions	67,900,894	275,636,173	303,751,973	308,190,125	380,208,000
Contributions from State Sources					
a. Direct appropriation					
State and local	20,616,000	90,478,000	92,608,000	94,943,000	100,000,000
b. Other local contributions	17,532,000	113,203,000	127,522,000	134,898,000	150,000,000
c. Payments by children	112,540,000	505,083,000	555,707,000	594,810,000	650,000,000
Total, State Contributions	150,688,000	708,764,000	775,837,000	824,651,000	900,000,000
Total Contributions (Federal and State)	218,588,894	984,400,173	1,079,588,973	1,132,841,125	1,280,208,000
2. Matching 2/					
Federal apportionment of cash to States	62,338,155	93,890,000	93,814,400	93,746,304	98,600,000
Required by States under School Lunch Act	55,877,690	236,667,967	237,439,706	241,092,465	not avail.
Contributed by States	150,688,000	708,764,000	775,837,000	824,681,000	900,000,000
3. School Enrollment (Thousands)	26,600	39,480	40,664	42,205	43,800
4. Participation in Program					
a. Number of schools (Month of peak participation by children) 3/	44,537	60,862	62,325	63,961	64,000
b. Number of children (Peak-thousands):	6,016	12,124	12,915	13,526	14,373
Type A and B lunches	4,506	12,054	12,839	13,453	14,300
Type C lunches	1,510	770	76	73	73
c. Number of meals served (Millions)	910.9	2,008.7	2,153.0	2,270.4	2,385.5
Type A:					
With Milk - Number (Millions)	527.4	1,995.0	2,134.2	2,251.0	2,363.0
Percent of Total	57.9	99.3	99.1	99.1	99.1
Without Milk - Number (Millions)	129.6	3.1	8.1	9.0	12.0
Percent of total	14.2	.2	.4	.4	.5
Type B:					
With Milk - Number (Millions)	17.8	--	--	--	--
Percent of total	2.0	--	--	--	--
Without Milk - Number (Millions)	7.4	--	--	--	--
Percent of total	1.8	--	--	--	--
Type C - Number (Millions)	228.7	10.6	10.7	10.4	10.5
Percent of total	25.1	.5	.5	.5	.4
d. Number of free or reduced-price lunches served (Millions) 4/	109.4	211.8	217.2	226.0	237.5
Free or reduced-price lunches as percent of total	1.2	--	--	--	--
lunches served	12.0	10.5	10.1	9.9	10.0
5. Foods bought in local Markets with Federal cash payments and State contributions	\$128,648,278	\$509,778,321	\$539,500,000	\$575,000,000	\$610,000,000
6. Total appropriation 4/	81,000,000	145,000,000	153,657,248	155,000,000	170,000,000

1/ Represents year in which commodities were distributed; not necessarily year in which funds were obligated.

2/ State matching requirements per Federal dollar are as follows: 1947-1950 \$1.00 to \$1.00; 1951-1955 \$1.50 to \$1.00; thereafter \$3.00 to \$1.00 EXCEPT that for States with per capita income below the National average the ratio required is decreased by the percentage which the State per capita income is below the per capita income of the United States. Lowest matching requirement for 1947-1950 was \$.46 to \$1.00; for 1951-1955 \$.73 to \$1.50; for 1956-1960 \$1.41 to \$3.00; 1961 \$1.54 to \$3.00; and 1962 \$1.59 to 3.00.

3/ Beginning in 1959 excludes schools serving only Type C lunches.

4/ Includes \$35,000,000 in 1959; \$43,657,248 in 1960; \$45,000,000 in 1961 and 1962 authorized to be transferred from Section 32 for the purchase and distribution of agricultural commodities.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
National School Lunch Program

Table Ia

Analyses of Source of Funds, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First Year) and Fiscal Years 1959-1962

Item	a/ 1947	1959	1960	1961	1962 Prelim.
1. Total cost per lunch (includes all lunches except Type C)	30.8¢	45.7¢	46.7¢	46.5¢	49.6¢
a. Federal contributions (excl. Special Milk)	9.7	10.2	10.5	10.0	11.7
b. State and local contributions	5.6	10.2	10.3	10.2	10.5
c. Children's payments	15.5	25.3	25.9	26.3	27.4
2. Average rate of reimbursements from Federal cash payments per Type A lunch	8.7	4.7	4.4	4.1	4.2
3. Annual contribution per child	\$46.68	\$75.66	\$78.01	\$78.13	\$82.46
(Excludes children participating in Type C Programs)					
a. Federal (Excludes Special Milk):					
Cash payments	12.97	7.78	7.30	6.96	6.90
Donated commodities	1.79	9.08	10.28	9.87	12.62
Total, Federal	14.76	16.86	17.58	16.83	19.52
b. State and local contributions	8.47	16.90	17.15	17.03	17.48
c. Children's payments	23.45	41.90	43.28	44.12	45.45
4. Percent of enrollment participating	16.9%	30.5%	31.6%	31.9%	32.6%
5. Average number of children participating per school	101	198	206	210	223

a/ Participation in the Type C Lunch decreased rapidly after enactment of the Special Milk Program in 1955.
To show comparability, funds and participation have been adjusted by the Type C contributions.

UNITED STATES DEPARTMENT OF AGRICULTURE
 Agricultural Marketing Service
 Washington 25, D. C.

SL-1-62

NATIONAL SCHOOL LUNCH PROGRAM

 APPORTIONMENT BY STATES OF FUNDS AVAILABLE FOR THE NATIONAL SCHOOL LUNCH PROGRAM
 FISCAL YEAR 1962

STATE	PER CAPITA INCOME IN 1960 (U.S. \$2,242) (1)	PER CAPITA INCOME INDEX a/ (2)	POPULATION 5-17 YEARS APRIL 1, 1960 (3)	STATE INDEX b/ (4)	STATE QUOTIENT (5)	TOTAL APPORTIONMENT c/ (6)	STATE AGENCY (7)	PRIVATE SCHOOLS (8)	MATCHING PERCENT REQUIRED d/ (9)
Alabama	1,478	1.51691	899,614	1,364,633.47	.0292835	2,779,291	2,681,651	97,640	197.76985
Alaska	2,724	.02305	54,703	45,023.30	.0009662	91,702	91,702	--	300.00000
Arizona	1,983	1.13061	350,463	396,236.97	.00895028	806,999	737,280	69,719	265.34344
Arkansas	1,369	1.63769	474,380	776,887.38	.0166711	1,582,251	1,540,710	41,541	183.18466
California	2,753	.81438	3,703,688	3,016,209.43	.0647245	6,142,989	6,142,989	--	300.00000
Colorado	2,301	.97436	440,031	428,748.61	.0092005	873,218	791,029	79,189	300.00000
Connecticut	2,871	.78091	582,227	454,666.89	.0097566	925,997	925,997	--	300.00000
Delaware	3,094	.72463	107,632	77,993.38	.0016737	158,850	128,546	30,304	300.00000
District of Columbia	3,000	.74733	141,540	105,777.09	.0022699	215,436	215,436	--	300.00000
Florida	1,949	1.15033	1,140,173	1,311,575.21	.0281449	2,671,227	2,521,710	149,517	260.79393
Georgia	1,622	1.38224	1,061,243	1,466,892.52	.0314779	2,987,561	2,987,561	--	217.03836
Guam	2,000	(1.88403)	18,791	35,402.81	.0007597	72,103	58,177	13,926	267.61820
Hawaii	2,192	1.02281	169,951	173,827.58	.0037301	354,023	293,532	60,491	293.30955
Idaho	1,824	1.22917	185,712	228,271.62	.0048985	464,916	444,369	20,547	244.06780
Illinois	2,651	.84572	2,308,727	1,952,536.60	.0418922	3,976,644	3,976,644	--	300.00000
Indiana	2,198	1.02002	1,156,414	1,179,565.41	.0253121	2,402,356	2,402,356	--	294.11240
Iowa	1,982	1.13118	680,054	769,263.48	.0165075	1,566,723	1,364,997	201,726	265.20963
Kansas	2,066	1.08519	525,423	570,183.79	.0122355	1,161,269	1,161,269	--	276.44960
Kentucky	1,555	1.44180	797,673	1,150,084.93	.0246795	2,342,326	2,342,326	--	208.07315
Louisiana	1,630	1.37546	892,633	1,227,780.99	.0263463	2,500,569	2,500,569	--	218.10883
Maine	1,894	1.18374	240,380	284,547.42	.0061061	579,529	492,798	86,731	253.43443
Maryland	2,415	.92836	769,549	714,418.51	.0153306	1,455,024	1,206,519	248,505	300.00000
Massachusetts	2,548	.87991	1,160,368	1,021,019.41	.0219099	2,079,464	2,079,464	--	300.00000
Michigan	2,355	.95202	1,989,576	1,894,116.14	.0406456	3,857,665	3,280,667	576,998	300.00000
Minnesota	2,074	1.08100	867,373	937,630.21	.0201205	1,909,632	1,566,847	342,785	277.52007
Mississippi	1,190	1.88403	626,264	1,179,900.16	.0253193	2,403,049	2,403,049	--	159.23283
Missouri	2,214	1.01265	993,360	1,005,926.00	.0215860	2,048,723	2,048,723	--	296.25335
Montana	1,996	1.12325	177,306	199,158.96	.0042737	405,616	358,788	46,828	267.08296
Nebraska	2,113	1.06105	339,700	360,438.68	.0077346	734,089	627,200	106,889	282.73863
Nevada	2,894	.78556	66,475	52,220.10	.0011206	106,356	100,981	5,375	300.00000
New Hampshire	2,108	1.06357	144,295	153,467.83	.0032932	312,557	312,557	--	282.06958
New Jersey	2,687	.83439	1,367,953	1,141,406.30	.0244933	2,324,654	1,820,941	503,713	300.00000
New Mexico	1,789	1.25321	273,051	342,190.24	.0073430	696,923	696,923	--	239.38448
New York	2,853	.78584	3,645,247	2,864,580.90	.0614707	5,834,471	5,834,471	--	300.00000
North Carolina	1,584	1.41540	1,248,110	1,766,574.89	.0379087	3,597,907	3,597,907	--	211.95361
North Dakota	1,826	1.22782	172,090	211,295.54	.0045342	430,340	378,326	52,014	244.33541
Ohio	2,367	.94719	2,368,676	2,243,586.22	.0481448	4,569,413	3,844,217	725,196	300.00000
Oklahoma	1,859	1.20602	572,391	690,314.99	.0148134	1,405,937	1,405,937	--	248.75112
Oregon	2,276	.98506	445,173	438,522.12	.0094102	893,120	893,120	--	300.00000
Pennsylvania	2,282	.98247	2,627,082	2,581,029.25	.0553860	5,256,674	4,092,397	1,164,277	300.00000
Puerto Rico	535	4.19065	899,529	(3,352,452.70)	(.9840555)	3,690,208	3,690,208	--	71.58787
Rhode Island	2,217	1.01128	191,573	193,733.94	.0041573	394,568	394,568	--	296.65477
South Carolina	1,403	1.59800	697,563	1,114,705.67	.0239203	2,270,271	2,220,936	49,335	187.73417
South Dakota	1,919	1.16832	179,036	209,171.34	.0044886	426,012	426,012	--	256.77966
Tennessee	1,565	1.43259	920,586	1,318,822.30	.0283004	2,685,985	2,587,606	98,379	209.41124
Texas	1,943	1.15389	2,476,637	2,857,766.67	.0613245	5,820,295	5,466,483	353,812	259.99108
Utah	1,936	1.15806	255,876	296,319.76	.0063587	603,503	589,981	13,522	259.05442
Vermont	1,893	1.18436	98,425	116,570.63	.0025015	237,417	237,417	--	253.30062
Virginia	1,868	1.20021	1,006,422	1,207,917.75	.0259206	2,460,119	2,324,204	135,915	249.95540
Virgin Islands	650	(1.88403)	9,829	18,518.13	.0003974	37,717	37,717	--	86.97591
Washington	2,334	.96058	711,674	683,619.81	.0146697	1,392,298	1,286,831	105,467	300.00000
West Virginia	1,692	1.32506	506,050	670,546.61	.0143932	1,365,676	1,323,161	42,515	226.40500
Wisconsin	2,177	1.02986	983,619	1,012,989.86	.0217376	2,063,111	1,562,963	500,148	291.30241
Wyoming	2,262	.99116	86,948	86,179.38	.0018493	175,517	175,517	--	300.00000
Total	--	--	44,719,258	46,600,767.18 e/	1.0000000 e/	98,600,000	92,676,996	5,923,004	--

a/ United States per capita income (\$2,242) divided by State per capita income, except for Guam and the Virgin Islands which are assigned the same per capita income index as Mississippi in accordance with the amendment to Section 4 of the National School Lunch Act. This amendment provides that the apportionment to Guam, Puerto Rico and the Virgin Islands shall not exceed 3 percent of the funds appropriated except that in the case of the first apportionment from any annual or supplemental appropriation, the apportionment to Guam, Puerto Rico and the Virgin Islands shall not be less than that amount which will result in an allotment per child of school age equal to the allotment per child of school age in the State (other than Guam, Puerto Rico and the Virgin Islands) having the lowest per capita income among the States participating in such first apportionment.

b/ Per capita income index multiplied by population of ages 5-17, inclusive.

c/ Total of funds apportioned multiplied by State quotients. Under the National School Lunch Act, as amended, not less than 75 percent of the total funds available must be apportioned to the States and Territories. Breakdown between State agency and private schools is based on relative enrollment in public and nonprofit private schools as provided in Section 10 of the National School Lunch Act for any State in which the State Educational Agency by law is not permitted to disburse funds paid to it under this Act to nonprofit private schools.

d/ According to Section 7 of the National School Lunch Act, during fiscal year 1962 each State must match three dollars for each dollar of the Federal Government's apportionment to the State, except that, in the case of a State in which the per capita income is below that of the United States, the matching ratio required is decreased by the percentage which the State's per capita income is below the per capita income of the United States. The actual amount of funds required for matching is then determined by taking this percentage of the amount of the total Federal apportionment to the State.

e/ Total does not include State Index or quotient for Puerto Rico. Apportionment for Puerto Rico was determined in accordance with footnote (a).

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

TABLE III

School Lunch and Special Milk Programs

Comparison of Federal and State Financing for the Fiscal Year 1961

State	Commodity Distribution		Federal	Special Milk Program	Total Federal Contribution	State and Local Financing	Total Federal and State	Federal Contributions as % of Total
	Section 6 a/ Commodities	Donated b/ c/	Cash					
			Appportionment: N S L P					
Alabama	\$1,661,788	\$2,058,953	\$2,648,984	\$1,211,552	\$7,581,277	\$17,290,000	\$24,871,277	30.5
Alaska	39,129	97,426	90,627	21,887	249,069	634,000	883,069	28.2
Arizona	537,224	635,097	708,344	518,863	2,399,528	7,110,000	9,509,528	25.2
Arkansas	944,497	1,388,795	1,583,293	670,306	4,586,891	8,145,000	12,731,891	36.0
California	3,159,699	4,480,720	5,519,038	7,536,755	20,696,212	57,629,000	78,325,212	26.4
Colorado	624,271	891,757	835,682	791,551	3,143,261	8,115,000	11,258,261	27.9
Connecticut	576,929	708,166	782,029	1,135,974	3,203,098	10,950,000	14,153,098	22.6
Delaware	106,335	121,968	136,624	241,220	606,147	2,955,000	3,561,147	17.0
District of Columbia	39,146	120,564	213,840	403,138	776,688	1,972,000	2,748,688	28.3
Florida	2,142,877	2,531,399	2,383,626	1,376,403	8,434,305	31,007,000	39,441,305	21.4
Georgia	2,359,623	2,505,283	2,867,567	999,863	8,732,336	25,381,000	34,113,336	25.6
Guam	14,008	28,633	31,858	--	74,499	268,000	342,499	21.8
Hawaii	509,549	594,169	378,478	189,293	1,671,489	7,688,000	9,359,489	17.9
Idaho	297,993	265,408	429,249	212,435	1,205,085	3,039,000	4,244,085	28.4
Illinois	2,192,281	2,171,318	3,848,415	5,961,943	14,173,957	37,853,000	52,026,957	27.2
Indiana	1,567,599	1,618,523	2,320,970	1,936,945	7,444,037	20,143,000	27,587,037	27.0
Iowa	1,293,677	1,242,637	1,480,339	1,749,679	5,766,332	16,953,000	22,719,332	25.4
Kansas	759,993	1,310,467	1,040,466	951,011	4,061,937	8,651,000	12,712,937	32.0
Kentucky	1,579,860	1,445,497	2,410,192	1,394,881	6,830,430	16,051,000	22,881,430	29.9
Louisiana	2,762,889	2,709,799	2,231,749	502,431	8,202,668	27,263,000	35,465,668	23.1
Maine	318,243	366,739	548,474	363,466	1,596,922	3,778,000	5,374,922	29.7
Maryland	835,787	725,299	1,286,215	1,648,848	4,496,239	17,128,000	21,624,239	20.8
Massachusetts	1,356,926	1,866,057	1,883,981	2,810,197	7,917,161	25,357,000	33,274,161	23.8
Michigan	1,732,702	2,125,742	3,846,296	5,130,777	12,835,517	25,565,000	38,400,517	33.4
Minnesota	1,478,858	1,521,254	1,785,631	2,400,395	7,186,138	16,766,000	23,952,138	30.0
Mississippi	1,125,171	1,332,037	2,401,155	1,383,352	6,241,715	11,187,000	17,428,715	35.8
Missouri	1,643,838	1,773,697	1,921,241	2,383,764	7,722,540	21,802,000	29,524,540	26.2
Montana	238,832	280,777	371,589	164,607	1,055,805	2,338,000	3,393,805	31.1
Nebraska	437,805	526,665	740,157	510,633	2,215,260	5,805,000	8,020,260	27.6
Nevada	60,562	76,025	107,664	83,047	327,298	800,000	1,127,298	29.0
New Hampshire	192,208	188,366	294,387	266,536	941,497	2,436,000	3,377,497	27.9
New Jersey	772,191	894,312	2,086,834	2,139,496	5,889,833	19,510,000	25,429,833	23.2
New Mexico	412,825	640,909	562,967	690,803	2,307,504	4,629,000	6,936,504	33.3
New York	4,223,131	4,187,582	5,641,036	9,026,473	23,078,222	78,201,000	101,279,222	22.8
North Carolina	2,968,539	2,551,503	3,617,590	1,478,537	10,616,169	24,649,000	35,265,169	30.1
North Dakota	308,722	337,294	408,137	309,558	1,363,711	3,243,000	4,606,711	29.6
Ohio	2,809,199	2,608,476	4,304,855	5,051,111	14,773,641	42,434,000	57,207,641	25.8
Oklahoma	941,239	1,576,818	1,309,228	837,131	4,664,416	9,163,000	13,827,416	35.1
Oregon	750,194	756,542	877,628	547,158	2,931,522	8,144,000	11,075,522	26.5
Pennsylvania	2,697,361	2,711,993	4,937,306	3,790,713	14,137,376	48,886,000	63,023,376	22.4
Puerto Rico	919,520	2,358,208	3,245,229	--	6,522,957	6,425,000	12,947,957	50.4
Rhode Island	149,061	147,843	394,731	335,887	1,027,522	2,961,000	3,988,522	25.8
Samoa	--	22,779	--	--	22,779	--	22,779	100.0
South Carolina	1,432,960	1,731,226	2,356,757	547,847	6,068,790	14,145,000	20,213,790	30.0
South Dakota	217,809	318,296	437,316	420,417	1,393,838	2,157,000	3,550,838	39.3
Tennessee	1,721,488	2,676,472	2,574,420	1,805,829	9,773,209	17,994,000	26,772,209	32.8
Texas	2,094,947	3,830,906	5,545,095	2,784,705	15,055,653	34,272,000	49,327,653	30.5
Trust Territories	--	69,115	--	--	69,115	--	69,115	100.0
Utah	473,577	784,378	574,927	260,422	2,093,304	4,946,000	7,039,304	29.7
Vermont	118,512	130,893	217,584	168,460	635,449	1,284,000	1,919,449	33.1
Virginia	1,556,407	2,276,461	2,457,088	1,588,970	7,878,926	22,696,000	30,574,926	25.8
Virgin Islands	46,344	45,613	39,494	--	131,451	233,000	364,451	36.1
Washington	980,087	728,576	1,298,043	1,400,327	4,407,033	13,725,000	18,132,033	24.3
West Virginia	819,114	1,157,077	1,443,292	413,062	3,832,545	7,286,000	11,118,545	34.5
Wisconsin	1,144,910	1,202,647	2,043,044	3,120,439	7,511,040	14,038,000	21,549,040	34.9
Wyoming	132,295	175,146	163,858	152,283	623,582	1,571,000	2,194,582	28.4
Total	61,080,734	71,623,432	93,664,579	81,821,380	308,190,125	824,681,000	1,132,871,125	27.2

a/ Commodities procured under the School Lunch appropriation and under funds transferred to this appropriation from the fund authorized under section 32 of the Act of August 24, 1935, as amended, are distributed pursuant to sec. 6 of the National School Lunch Act.

b/ Commodities acquired under price support programs by the Commodity Credit Corporation and donated to schools pursuant to sec. 416 of the Agricultural Act of 1949, as amended, and commodities acquired and donated under authority of section 32 of the Act of August 24, 1935, as amended.

c/ Cash payments are made to reimburse schools for increased consumption of fluid milk by children, pursuant to Public Law 87-67, 87th Congress, June 30, 1961.

d/ Contributions from the several sources within the States—State and local government contributions, other local contributions, and payments by children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington 25, D. C.

TABLE IV

SL-2-61

NATIONAL SCHOOL LUNCH PROGRAM

NUMBER OF CHILDREN AND SCHOOLS PARTICIPATING
Fiscal Year 1961 ^{1/}

STATE	CHILDREN IN ELEMENTARY AND SECONDARY SCHOOLS			ELEMENTARY AND SECONDARY SCHOOLS	
	Total	Number	Percent	Number	
	Enrollment 2/	Participating	Participation	Participating	
	(1)	(2)	(3)	(4)	
NORTHEAST					
Connecticut	573,802	125,400	21.9	596	
Delaware	99,545	25,015	25.1	129	
District of Columbia 3/	144,448	13,221	9.2	45	
Maine	238,508	71,567	30.0	614	
Maryland	722,199	191,091	26.5	828	
Massachusetts	1,067,130	304,933	28.6	1,201	
New Hampshire	137,526	39,837	29.0	321	
New Jersey	1,323,005	179,025	13.5	940	
New York	3,594,610	866,451	24.1	3,630	
Pennsylvania	2,495,418	636,286	25.5	2,716	
Rhode Island	181,171	30,523	16.8	172	
Vermont	91,483	32,710	35.8	340	
West Virginia	452,386	174,675	38.6	1,491	
Area	11,121,231	2,690,734	24.2	13,023	
SOUTHEAST					
Alabama	817,534	352,709	43.1	1,421	
Florida	1,030,021	478,865	46.5	1,360	
Georgia	949,439	499,953	52.7	1,790	
Kentucky	692,936	352,846	50.9	1,418	
Mississippi	592,176	272,754	46.1	991	
North Carolina	1,114,126	581,413	52.2	1,797	
Puerto Rico	618,771	240,633	38.9	1,953	
South Carolina	593,320	321,016	54.1	1,180	
Tennessee	824,016	376,512	45.7	1,862	
Virginia	894,228	352,727	39.4	1,463	
Virgin Islands	9,199	6,052	65.8	31	
Area	8,135,766	3,835,480	47.1	15,266	
MIDWEST					
Illinois	2,220,939	468,301	21.1	2,474	
Indiana	1,103,181	381,952	34.6	1,600	
Iowa	659,641	291,311	44.2	1,531	
Michigan	1,962,707	375,108	19.1	1,941	
Minnesota	834,714	346,564	41.5	1,538	
Missouri	955,395	379,716	39.7	2,427	
Nebraska	328,605	101,813	31.0	591	
North Dakota	155,624	73,653	47.3	651	
Ohio	2,287,139	589,479	25.8	2,422	
South Dakota	164,348	50,705	30.9	325	
Wisconsin	941,000	270,664	28.8	2,232	
Area	11,613,293	3,329,266	28.7	17,732	
SOUTHWEST					
Arkansas	433,503	204,605	47.2	992	
Colorado	428,217	144,502	33.7	872	
Kansas	509,916	177,978	34.9	1,157	
Louisiana	836,330	574,187	68.7	1,611	
New Mexico	246,557	83,052	33.7	472	
Oklahoma	556,020	206,775	37.2	1,653	
Texas	2,277,836	674,519	29.6	3,212	
Area	5,288,379	2,065,618	39.1	9,969	
WESTERN					
Alaska	45,136	7,719	17.1	49	
Arizona	332,751	116,147	34.9	440	
California	3,655,645	664,468	18.2	3,456	
Guam 3/	15,920	3,368	21.2	14	
Hawaii	171,432	110,944	64.7	200	
Idaho	165,837	65,767	39.7	480	
Montana	164,183	48,608	29.6	488	
Nevada	67,380	11,992	17.8	90	
Oregon	415,090	148,450	35.8	808	
Utah	242,785	105,889	43.6	453	
Washington	687,268	218,876	31.8	1,271	
Wyoming	82,882	30,084	36.3	222	
Area	6,046,309	1,532,312	25.3	7,971	
Grand Total	42,204,978	13,453,410	31.9	63,961	

- ^{1/} Data are for December 1960 and represent the average number of children participating in the program for that month. The number of schools and children may have been higher in some States during other months but December was the peak month of participation nationally.
- ^{2/} Source: Latest data available from U. S. Office of Education. Enrollment data for public schools are for Fall 1960. Private school enrollment is for 1957-58.
- ^{3/} Data for the District of Columbia and Guam do not include participation in the Type C, or milk only, lunch authorized under the National School Lunch Program. Reimbursement for this type has been discontinued in the other States.

Commodities Distributed to the School Lunch Programs during Fiscal Years 1960 and 1961.

Program and Commodity	Fiscal Year 1960 b/		Fiscal Year 1961 b/	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases: a/	:	:	:	:
Section 6:	:	:	:	:
Apples & Applesauce.	21,067,959:	\$ 1,974,068:	16,930,221:	\$ 1,694,673
Apricots	---	---	13,319,865:	1,958,020
Beans	15,437,361:	1,560,717:	11,398,394:	1,185,433
Beef products	24,333,913:	10,120,474:	78,981,937:	35,132,208
Chickens	---	---	7,032,899:	2,569,118
Corn	13,113,106:	1,292,952:	6,397,739:	697,354
Cherries	16,128,517:	2,151,544:	7,167,824:	1,082,341
Eggs	3,716,934:	4,381,150:	1,292,231:	1,523,153
Grapefruit sections	13,994,585:	2,053,006:	14,545,614:	2,167,297
Lamb	357,581:	216,444:	42,041:	24,657
Peaches	25,826,418:	3,068,179:	28,055,789:	3,246,055
Peas	15,804,990:	1,345,005:	46,731:	3,977
Plums	10,439,641:	979,238:	43,843:	4,118
Pork products	44,347,045:	20,704,229:	1,173,550:	578,557
Tomatoes	20,552,315:	1,977,133:	19,810,804:	2,074,200
Tomato paste	12,062,293:	1,440,238:	43,459:	5,189
Turkeys	21,881,367:	7,844,470:	18,894,041:	7,134,390
Total, Section 6	259,064,025:	61,108,847:	225,177,062:	61,080,734
a/ Fruits and vegetables are purchased in canned form.				
b/ Includes commodities purchased with funds transferred from Section 32.				
Donated Commodities:	:	:	:	:
Section 32:	:	:	:	:
Beans, dried	---	---	5,649,458:	466,438
Butter	29,661,378:	17,710,171:	74,649,234:	47,014,088
Cabbage	---	---	1,470,600:	33,088
Cheese	17,575,450:	6,365,962:	11,227,920:	4,167,804
Dates	---	---	1,748,525:	394,656
Eggs, dried	1,296,439:	1,401,062:	2,664,861:	3,090,439
Honey	1,209,228:	179,933:	652,590:	97,205
Lamb	---	---	538,503:	208,670
Lard	---	---	6,819,425:	1,040,644
Milk	10,504,029:	1,628,465:	---	---
Olive Oil	321,578:	116,090:	13,090:	4,725
Olives	---	---	2,081,056:	853,649
Peanut butter	6,036,346:	1,078,091:	6,211,513:	1,246,651
Potatoes, sweet	2,385,550:	122,617:	---	---
Total, Section 32	68,989,996:	28,602,391:	113,726,835:	58,617,957
Section 416:	:	:	:	:
Beans	208,816:	14,429:	3,230,531:	274,153
Butter	40,200,338:	24,919,448:	---	---
Cheese	21,056,091:	7,900,666:	---	---
Cornmeal	14,838,144:	511,916:	15,657,000:	543,298
Flour	86,148,141:	4,522,777:	105,593,343:	5,564,769
Milk	11,775,006:	1,958,460:	24,620,475:	4,343,052
Rice	21,191,268:	2,485,736:	21,903,967:	2,280,203
Total Section 416:	195,417,804:	42,313,432:	171,005,316:	13,005,475
TOTAL	523,471,827:	132,024,670:	509,909,213:	132,704,166

(f) Perishable Agricultural Commodities Act Fund

Appropriation, 1962 and base for 1963 (from receipts)	\$693,210
Budget Estimate, 1963 (from receipts)	<u>693,210</u>

Note: A total of \$801,084 is estimated to be available for obligation in fiscal year 1963, including an unobligated balance of \$107,874 to be carried forward from 1962. Of this total, the estimates tentatively forecast obligations of \$776,000 for fiscal year 1963, leaving a carryover of \$25,084 into fiscal year 1964.

PROJECT STATEMENT
(On basis of available funds)

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
Licensing dealers and handling complaints <u>a/</u> ..	\$794,343	\$829,000	-\$53,000 (1)	\$776,000
Unobligated balance brought forward	-344,822	-243,664	+135,790	-107,874
Unobligated balance carried forward	243,664	107,874	-82,790	25,084
Total appropriation or estimate	693,185	693,210	- -	693,210

a/ Represents obligations. Applied costs for 1961 are \$793,066. The difference of \$1,277 reflects, primarily, excess of equipment ordered but not used in 1961.

DECREASE

(1) A decrease of \$53,000 in licensing dealers and handling complaints.

This reduction in obligations is required to keep obligations at a level that can be covered by available funds. A small cash balance is carried forward to cover minimum expenditures which will need to be made at the beginning of the 1963 fiscal year before sufficient new revenue becomes available. The present statutory license fee of \$25 does not provide funds adequate to cover the cost of the program. Senate Bill 1037, under consideration by the Congress, among other things, provides for an increase in fees to a maximum of \$50. If this legislation is not enacted in the present session of Congress in sufficient time to establish increased license fees by July 1, 1962, a curtailment in the program operations will have to be made. This will result in fewer complaints which can be investigated and handled and elimination of some of the misbranding investigations.

STATUS OF PROGRAM

Current Activities: This special fund, comprised principally of annual license fees, is used for the administration of the Perishable Agricultural Commodities, Produce Agency, and Export Apple and Pear Acts. These laws are designed to (1) protect producers, distributors, consumers and others from unfair and fraudulent practices in the marketing of perishable agricultural commodities; (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others; and (3) promote foreign trade in apples and pears.

All commission merchants, dealers and brokers who handle fresh or frozen fruits and vegetables in interstate and foreign commerce must be licensed under the Perishable Agricultural Commodities Act. In addition, certain retailers are subject to the Act and are required to be licensed. Handlers are required to give shippers a true and correct accounting for commodities sent for sale in the market. Buyers and sellers must live up to the terms of their contracts. False or misleading statements, misbranding, etc., are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the law. The Department will promptly communicate with the respondent party; make necessary investigation; endeavor to bring about an amicable informal settlement; take formal action, if necessary; give each party an opportunity to present his side fully; determine the loss or amount of damages to be paid; and issue a formal order calling for reparation. If violations are repeated or flagrant, disciplinary action may be taken by the Department seeking to suspend or revoke the offender's license. The majority of cases involve questions of quality and condition. Evidence consists principally of inspection certificates and other pertinent documents furnished by complainants and respondents.

Activities under these acts include licensing, collecting fees, investigating and handling complaints and violations and working with growers and shippers to correct and prevent misbranding of produce thereby reducing the number of potential complaints.

Financing:

License Fees: Annual license fees of \$25, together with arrearage fees, and appropriations, if any, for this work are deposited into a special fund. With the exception of legal services (which are provided from the appropriation to the Office of the General Counsel), all expenses for administration of the Perishable Agricultural Commodities, Produce Agency, and Export Apple and Pear Acts are paid from this fund.

Revenue and Obligations:

Item	Revenue collected and obligations incurred					
	1959	1960	1961	1962 Est.	1963 Est.	
Fees and arrearages collected	\$673,278	\$678,748	\$693,210	\$693,210	\$693,210	
Appropriation for retirement costs (transferred from "Marketing Services")	25,400	25,400	25,400	25,400	25,400	
Balance from prior years used	6,594	44,012	101,158	135,790	82,790	
Obligations	705,272	748,160	819,768	854,400	801,400	

Selected Examples of Recent Progress and Trends:

1. Perishable Agricultural Commodities Act

- a. Increase in License Fees Recommended by PACA-Industry Conference: At the fourth PACA-Industry conference, held in January of 1961, representatives of the produce industry discussed with officials of the Department of Agriculture current problems in connection with the administration of the PAC Act. The majority of the industry representatives agreed that with the continued increase in the cost of personnel, equipment, transportation, communication, etc., the present \$25 annual license fee is inadequate to meet the cost of administering the law. It was their conclusion that the Secretary should be given the authority to raise the fee to a maximum of \$50 per year. Although increased revenues to cover present costs would necessitate an increase in the fees of around \$10 per year, it was the view of the representatives that a higher maximum amount should be established to make adequate provision for possible future increases in operating costs.

Following this recommendation, identical bills (S-1037 and HR-5023) were introduced in the 87th Congress, containing all the provisions and features which were approved at the PACA-Industry conference. S-1037 with amendments was passed by the Senate on September 5, 1961 and referred to the House Agricultural Committee.

- b. Number of Licenses Increased over Previous Year: There was, in 1961, an increase of 217 in the number of licenses in effect at the end of the year. On June 30, 1961, there were 25,336 licenses in effect as compared with 25,119 in effect at the close of the previous fiscal year.

Activity	Fiscal Year					
	1959	1960	1961	1962 Est.	1963 Est.	
Licenses renewed	19,809	19,707	20,003	20,036	20,136	
New licenses issued	5,149	5,412	5,333	5,300	5,200	
Licenses terminated	5,223	5,251	5,116	5,300	5,200	
Total actions	30,181	30,370	30,452	30,636	30,536	
In effect June 30	24,958	25,119	25,336	25,336	25,336	

- c. Complaints and Settlements: Of the 3,077 cases, handled in 1961, final disposition was made in 2439. At the close of the year, 489 reparation and disciplinary cases were pending in AMS and 146 cases were pending in the Office of the General Counsel. In addition, three disciplinary cases were pending in court making a total of 638 cases carried over into 1962. This represents 93 cases less than the number pending at the end of 1960.

Within the total 1961 formal decisions, 344 reparation awards were made totaling \$731,704. This compares with 257 in 1960 totaling \$425,543. 65 licenses were suspended automatically due to failure to pay reparation awards. The majority of the disciplinary complaints filed were mis-branding cases. Other disciplinary complaints involved failure to maintain adequate records; questioning an applicant's fitness to be licensed and repeated or flagrant violations in other categories.

In addition to the actual complaints filed, thousands of inquiries from receivers, brokers, shippers and other sources seeking counsel and advice were handled. Suggestions and recommendations in these cases have resulted in the settlement of numerous disputes and eliminated the necessity of filing complaints with the Department.

- d. Analysis of Complaint Work and Reparations Awarded:

Item	Fiscal Year					
	1959	1960	1961	1962 Est.	1963 Est.	
<u>Complaints to be handled</u> :	:	:	:	:	:	
On hand July 1	685:	750:	731:	638:	626	
Received or reopened	2,378:	2,446:	2,346:	2,380:	2,430	
Total	3,063:	3,196:	3,077:	3,018:	3,056	
<u>Settlement of Complaints</u> :	:	:	:	:	:	
Formal decisions	302:	386:	436:	450:	525	
Informal amicable settle-	:	:	:	:	:	
ments	951:	980:	902:	912:	855	
Otherwise closed	1,060:	1,099:	1,101:	1,030:	995	
Pending - June 30	750:	731:	638:	626:	681	
<u>Reparations</u> :	:	:	:	:	:	
Awarded-Formal Orders ...	\$440,389:	\$425,543:	\$731,704:	\$800,000:	\$850,000	
Payments-amicable settle-	:	:	:	:	:	
ments	856,172:	1,103,006:	955,507:	1,000,000:	1,050,000	
Total	1,296,561:	1,528,549:	1,687,211:	1,800,000:	1,900,000	

- e. Basis for Settlements: Most settlements are made on the basis of precedents established by Secretary's Orders in previous cases handled. These decisions, published and made available to members of the produce industry, are used by them as the basis for settling disputes informally. Cases referred to the Department are, in general, those which are most difficult and which the interested parties are unable to settle among themselves.

2. Produce Agency Act

- a. Cases Handled: There were 44 new cases filed in 1961, compared with 38

in 1960. Cases carried over from 1960 numbered 13 making a total of 57 cases to be handled during fiscal year 1961. Thirty-one of these cases were closed leaving 26 pending at the end of 1961. Of the closed cases, 14 amicable settlements were effected compared with 21 in the previous year. One case was disposed of through court action and the remaining cases were closed by insufficient evidence, lack of jurisdiction, or notice of withdrawal.

3. Export Apple and Pear Act

- a. Compliance Surveys made: Initial compliance surveys were made of carriers in Boston, Miami and Seattle. Additional carriers were contacted in New York and San Francisco. With the concurrence of the Department of Justice, warning letters were sent to two carriers and two exporters involved in suspected violations of the Act. The investigatory staff of AMS has been requested to examine the circumstances of an alleged violation involving shipment of apples exported on a domestic inspection certificate which did not warrant an Export Form Certificate.

(g) Removal of Surplus Agricultural Commodities
(Section 32)

Appropriation, 1962		\$325,826,750
Transferred to:		
Department of Interior to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service," 84th Congress		-4,757,143
School Lunch Program		-45,000,000
Marketing research and service (for increased travel costs)		-285,000
Salaries and expenses, Foreign Agricultural Service		-3,117,000
Base for 1963		<u>272,667,607</u>
Budget Estimate, 1963:		
Annual permanent appropriation	\$324,000,000	
Less transfers to:		
Department of Interior	-5,000,000	
School Lunch Program	<u>-45,000,000</u>	a/ <u>274,000,000</u>
Increase (in annual permanent appropriation for Section 32 purposes)		<u>+1,332,393</u>

a/ In addition, an unobligated balance of \$300,000,000 carried forward from 1962 will be available. Of the total of \$574,000,000 available, the 1963 estimates forecast obligations of \$225,000,000. This would result in an unobligated balance of \$349,000,000 of which \$300,000,000 would carry forward into fiscal year 1964.

SUMMARY OF INCREASES AND DECREASES, 1963
(On the basis of available funds)

Decrease in commodity program payments	-28,646,600
Increase in food stamp program payments	+30,000,000
Increase in operating expenses to administer food stamp programs	+400,000
Net decrease in administration of marketing agreements and orders due primarily to reduction of activity in developmental work pursuant to the Agricultural Act of 1961	-1,753,400

PROJECT STATEMENT
(On basis of available funds)

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
1. <u>Commodity program</u>				
<u>payments:</u>				
a. Direct purchases ...	\$251,449,124)			
b. Diversion payments .	1,236,817)			
c. Export payments	- -)	\$192,906,600	-28,646,600(1)	\$164,260,000
d. Production payments	1,538,399)			
2. <u>Food Stamp Program</u>				
Payments	657,865	20,000,000	+30,000,000(2)	50,000,000
3. <u>Operating expenses</u> ...	2,952,647	4,742,000	+400,000(3)	5,142,000
4. <u>Marketing Agreements &</u>				
<u>Orders</u>	1,908,570	7,351,400	-1,753,400	5,598,000
Total obligations a/	259,743,422	225,000,000	- -	225,000,000
Unobligated balance no longer available	7,894,107	47,667,607	+1,332,393	49,000,000
Unobligated balance carried forward	300,000,000	300,000,000	- -	300,000,000
Total available	567,637,529	572,667,607	+1,332,393	574,000,000
Recovery of prior year obligations	-814,887	- -	- -	- -
Unobligated balance brought forward	-300,000,000	-300,000,000	- -	-300,000,000
Subtotal	266,822,642	272,667,607	+1,332,393	274,000,000
Transferred to:				
Department of the				
Interior pursuant to				
P.L. 1024, 84th Con-				
gress	5,321,081	4,757,143	+242,857	5,000,000
School Lunch program ...	45,000,000	45,000,000	- -	45,000,000
Salaries and expenses,				
Foreign Agricultural				
Service	2,817,000	3,117,000	-3,117,000	- -
"Marketing research and service"				
Agricultural Marketing				
Service	- -	285,000	-285,000	- -
Total appropriation or estimate	319,960,723	325,826,750	-1,826,750	324,000,000

a/ Applied costs for 1961 are \$217,084,635. The difference of \$42,658,787 reflects, primarily, the excess of commodities purchased over those delivered and used in that year.

Fund Availability and Balances

Section 32 funds are used to encourage exportation and domestic consumption of agricultural products and to stabilize market prices either through announcements that the Department stands ready to enter the market, or by actual participation

in the market. The extent to which funds actually will be obligated and expended will depend upon the effectiveness of an announcement on market prices. The type of program to be developed will depend upon the kind and volume of the surpluses which exist at the time and the potential outlets. Generally, surpluses are removed from the market through purchases, which are then donated to schools, institutions and needy persons, with schools generally getting first priority.

The following table summarizes the estimated total funds available for Section 32 activities and the estimated balance carried forward for fiscal years 1961, 1962 and 1963.

Item	1961	1962 Estimate	1963 Estimate
Balance from prior year.....	\$300,000,000	\$300,000,000	\$300,000,000
Recovery of prior year obligations ...	814,887	- -	- -
Appropriation or estimate	319,960,723	325,826,750	324,000,000
Transfer to:			
Interior Department	-5,321,081	-4,757,143	-5,000,000
School Lunch Program	-45,000,000	-45,000,000	-45,000,000
Salaries and Expenses, Foreign			
Agricultural Service	-2,817,000	-3,117,000	- -
Marketing Research and Service.....	- -	-285,000	- -
Total available	567,637,529	572,667,607	574,000,000
Obligations	-259,743,422	-225,000,000	-225,000,000
Unobligated balance no longer avail-			
able (revert to U.S. Treasury)	-7,894,107	-47,667,607	-49,000,000
Unobligated balance carried forward			
to subsequent years	300,000,000	300,000,000	300,000,000

Increases and Decreases

(1) A decrease of \$28,646,600 in commodity program payments. This decrease results from the expectation that less funds will be required for surplus removal operations in view of anticipated favorable supply and demand conditions for perishable commodities, generally. In addition, some increased purchasing power for perishable commodities among needy families as a result of the proposed expansion of the Food Stamp Program will be realized.

(2) An increase of \$30,000,000 in the Food Stamp Program. Experimental food stamp projects were started in June and July 1961 in 8 selected locations to test the effectiveness of a food stamp program in helping needy families improve their diets and to expand outlets for our agricultural abundance. The results have been encouraging and the program will be continued on a moderately expanded pilot basis in 1963. Studies to be used as guides in suggesting locations of the new projects are being made of areas in which the program is most needed. Expansion to new areas, however, will be considered on a gradual basis to permit the Department to gain operating experience in other types of economically depressed areas and to provide States and local governments sufficient time to make operational arrangements. Although most of the proposed increases will be

used to expand the pilot program to additional areas in 1963 some of the increase may be needed for continuing the 1962 program level in the 1963 Fiscal Year.

(3) An increase of \$400,000 in Surplus Removal Operating Expenses will be required to administer the expanded Food Stamp Projects to additional areas. These funds will be used to administer the programs in cooperation with State and local agencies; provide informational and instructional materials including information on plentiful foods, carry on studies to evaluate the programs including administrative techniques; and make audits and investigations to assure reasonable compliance with program requirements.

(4) A net decrease of \$1,753,400 in the marketing agreements and orders activity composed of:

- (a) A net decrease of \$1,926,400, in the financing of advisory committees, referenda, hearings, and costs related to the formulation, development and administration of new marketing agreement and order programs.
- (b) An increase of \$70,000 will be required to put into effect and administer an expected increase of 5 agreements and orders on fruits and vegetables, pursuant to the Marketing Agreement Act of 1937, as amended, and to cover costs of possibly 3 committees on fruits and vegetables which may meet pursuant to the Agricultural Act of 1961. This will provide a total of \$1,001,500 for fruit and vegetable agreements and orders in 1963.

For many years, expenses of the Department related to marketing agreement and order programs under the Marketing Agreement Act of 1937, as amended, have been financed from Section 32 funds. The costs of local administration of marketing agreements and orders are financed by assessments on industry or producer groups concerned.

New Self-Help Programs Authorized - The Agricultural Act of 1961 extends the scope of marketing agreement and order programs by making eligible for inclusion any agricultural commodity not specifically excluded in the Act and authorizes the Secretary of Agriculture to consult with farmers, farm organizations and handlers on the possible need for additional program legislation. The Act opens the way to wider use of self-help stabilization programs geared to reducing the cost of farm programs and to preventing the accumulation of agricultural surpluses. Self-help stabilization includes programs initiated and designed by the producers or industry people to be affected and which, after adoption, are administered by industry boards under the supervision of the Secretary. Emphasis on this type of program has resulted during 1962 in the formulation of a number of industry advisory committees.

Self-help stabilization programs are not new. They have been in operation under Federal laws since 1937. For example, there are in effect 42 marketing orders for fruits, vegetables and nuts, and about 80 milk marketing orders. The employment of these

techniques as an important aid in solving farm problems deserves renewed emphasis. The Department strongly believes, however, that the benefits of this self-help approach are not fully understood by the producers, handlers, or the public, and that renewed and revitalized efforts in this area will result in substantial advantages to all concerned.

Financing of Self-Help Programs- Costs connected with the development and formulation of these self-help stabilization programs involve the expenses of industry advisory committees established to advise the Secretary, public hearings, referendums to determine producer sentiment, and related expenses. When it appears that the plan most likely to be adopted will be a new or amended marketing agreement or order, Section 32 funds are used. Costs to the Department of supervising the adopted marketing agreement and order program will be financed from Section 32 funds in line with present practice.

If the adopted self-help plan should be a price support or production adjustment program not involving marketing agreements and orders, Departmental costs will be financed from CCC or other funds available for this purpose. It is estimated that the costs of such self-help committees, public hearings, referendums, and related expenses amounting to \$512,000 in 1962 and \$960,000 in 1963 will be financed from Commodity Credit Corporation funds.

Basic Assumptions - The estimate assumes that there will be an increasing demand for supply adjustment and price stabilization programs by farmers because more commodities are being produced in excess of the market demand. A producer-designed and administered program is superior to others in many respects, but primarily because the producers and industry will abide by a self-help program which is restrictive only to the extent they desire, and which is operated with a minimum of Federal direction and supervision. The Department will strongly promote the principle of these self-help type programs, but will not promote marketing orders for individual commodities unless the affected industry groups are interested in this type of self-help.

Fiscal Year 1962 Activity - In the fiscal year 1962 considerable activity in the area of marketing agreement and orders is underway. Advisory committees on turkeys and turkey hatching eggs, broilers, dairy products, potatoes and honey have been established and one additional committee is expected to be appointed.

Fiscal Year 1963 - It is estimated that there will be a reduction in costs during the 1963 fiscal year. The following table illustrates the comparable activities in both years:

<u>Item</u>	<u>Fiscal Year 1962 Estimate</u>	<u>Fiscal Year 1963 Estimate</u>	<u>Increase or Decrease</u>
Advisory Committees	\$ 252,000	\$ 210,000	-\$ 42,000
Public Hearings	192,000	124,000	-68,000
Referendums and related expenses	4,722,400	2,656,000	-2,066,400
Federal supervision of adopted agreements and orders	- -	250,000	+250,000
Total	<u>5,166,400</u>	<u>3,240,000</u>	<u>-1,926,400</u>

The estimate of \$3,240,000 for 1963 represents a decrease of \$1,926,400 from the 1962 level and is composed of:

1. Decrease of \$42,000 for expenses of advisory committees.

It is anticipated that 5 advisory committees will be established in the 1963 fiscal year, a reduction of 1 from 1962. It is estimated an average of \$42,000 is required per committee to cover travel and per diem costs and miscellaneous secretarial and administrative services.

2. Decrease of \$68,000 for expenses of public hearings.

It is estimated that 31 public hearings will be held in the fiscal year 1963, a reduction of 17 from 1962. The average cost of a hearing, lasting 15 days, is estimated at \$4,000.

3. Decrease of \$2,066,400 for expenses of ASCS State and County offices in conducting referenda to determine producer sentiment and related expenses.

This estimate is based upon a detailed analysis of costs experienced by ASCS State and County offices with regard to referenda conducted under acreage allotment and marketing quota programs. Average State office costs for a commodity are estimated at \$1,500 each and County office costs at \$435 per office. Fiscal year 1962 referenda costs for 6 commodities are estimated at \$4,596,200, compared to estimated costs of \$2,556,000 for conducting referenda on 5 commodities in the fiscal year 1963, in an average of about 25 states and 1,100 counties per commodity. The estimate provides a decrease for printed materials, visual aids, and radio and TV program coverage to explain the program.

4. Increase of \$250,000 for Federal supervision of adopted agreements and orders.

This provides for \$200,000 to administer the newly organized programs in the fiscal year 1963, plus \$50,000 for conducting field audits of the records of industry boards, committees or administrators carrying out the program at the local level.

- (c) An increase of \$103,000 for milk marketing order programs pursuant to the Marketing Agreement Act of 1937, as amended, including \$83,000 for the development of 4 orders programs in newly established areas, and \$20,000 for an expanded educational program. This will provide a total of \$1,348,000 for milk marketing orders in 1963.

The total estimated program for marketing agreements and orders and self-help stabilization programs is summarized in the following table:

<u>Activity</u>	<u>Estimated 1962</u>	<u>Increase or Decrease</u>	<u>Estimated 1963</u>
Section 32:			
Fruits and vegetables, AMS	\$ 931,500	+\$70,000	\$1,001,500
Milk, ASCS	1,245,000	+103,000	1,348,000
Tobacco, ASCS	8,500	- -	8,500
Formulation, development and administration of new marketing agreements and orders pursuant to the Agricultural Act of 1961, ASCS	<u>5,166,400</u>	<u>-1,926,400</u>	<u>3,240,000</u>
Total, Section 32	7,351,400	-1,753,400	5,598,000
CCC funds:			
Formulation and development of self-help stabilization programs pursuant to the Agricultural Act of 1961, ASCS	<u>512,000</u>	<u>+448,000</u>	<u>960,000</u>
TOTAL	<u>7,863,400</u>	<u>-1,305,400</u>	<u>6,558,000</u>

STATUS OF PROGRAM

Current Activities

Under Section 32 of the Act of August 24, 1935, as amended (7 USC 612C), an amount equal to 30% of customs receipts during each calendar year and unused balances up to \$300 million are available for encouraging the exportation and domestic consumption of agricultural commodities. Current activities for removing from the market surplus agricultural commodities include:

- A. Purchases for distribution through State distributing agencies to school lunch programs, and to welfare agencies and institutions eligible to receive such purchases.
- B. Expansion of outlets for agricultural commodities by helping needy families improve their diets through pilot food stamp projects.
- C. Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.
- D. Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.
- E. Reestablishment of farmers' purchasing power through payments in connection with normal production.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. These Title II commodities are: tung nuts, honey, milk, butterfat, and the products of milk and butterfat. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities when the occasion arises warranting their use for such purpose. Not to exceed 25% of funds available under the Act may be used for any one commodity or product thereof.

Section 32 funds are also used for:

- A. Surplus removal operating expenses which include administrative costs for direct removal of surpluses from the market, and distribution by the Agricultural Marketing Service of Section 32 and CCC commodities to eligible outlets. These funds are also used to encourage food preservation and marketing of abundant foods through the food trades.
- B. The administration of marketing agreements and orders which aim to establish and maintain orderly marketing conditions for certain commodities and their products.

Selected Examples of Recent Progress and Trends: (See Table I for program operations during the last two years)

A. Commodity Program Payments

1. Direct Purchases - During the fiscal year 1961, approximately 575.3 million pounds of agricultural commodities at a cost of approximately \$251.4 million were purchased for distribution through authorized agencies. Distribution was made by 75 agencies to an increased number of participants as compared with 1960.

	1960	1961
(1) School children	14,577,328	15,509,405
(2) Persons in eligible institutions	1,455,150	1,444,547
(3) Individual needy recipients (peak month)	4,308,910	6,384,014

The outstanding development in fiscal 1961 was the sharp expansion of the program for needy families growing out of the first Executive order issued by President Kennedy on January 21, 1961. This order directed the Department to increase the volume and variety of foods being made available to needy families as a means of more effectively utilizing American food abundance to advance national dietary levels. As the fiscal year closed, the number of persons receiving direct distribution foods was about double the mid-year figure and, as well, the retail value of food available to needy families rose from less than \$3 to about \$6 per person per month. The increase in participation arose not only from a larger number of participants in the counties already participating prior to January but also from the entrance into the program of over 250 new counties in the last half of the year.

2. Diversion Payment Programs - To increase the use of surplus potatoes, a program to divert potatoes to starch was operated in the state of Maine where the surplus was most burdensome.
3. Production Payment Program - The cranberry production payment program which was initiated in fiscal year 1960 was terminated in fiscal year 1961.

- B. Food Stamp Payment Program - In June and July 1961 food stamp pilot projects were started in eight areas of chronic unemployment to test the effectiveness of this approach in improving the diets of low-income families and increasing use of farm commodities. A participating family's normal food expenditure is maintained by requiring that, based on family size and income, recipients will purchase a specific value of coupons. The supplemental or bonus coupons provided free of charge, again based on family size and income, permit the family to upgrade the diet. A peak of 200,000 participation is expected in the 8 pilot areas in fiscal year 1962.

Since May 29, 1961 when the program first started the Federal cost has been \$6,695,236 of which \$657,865 was used prior to July 1, 1961.

The following table shows program operations through December 31, 1961

Pilot Area	:Participants:		Value of Coupons Issued		
	: in month	:	Total	:Paid for by	: Paid with
	: of Dec.	:	:	:Participants	:Sec. 32 funds
Franklin Co. Ill.	: 4,742	:	\$ 580,048	: \$ 358,386	: \$ 221,662
Floyd Co. Kentucky	: 7,867	:	534,124	: 135,796	: 398,328
Detroit, Michigan	: 80,895	:	10,762,355	: 7,076,833	: 3,685,522
Virginia-Hibbing, Minn. :	6,536	:	646,025	: 415,312	: 230,713
Silver Bow Co., Mont. ..	: 1,911	:	227,862	: 157,531	: 70,331
San Miguel Co. N. Mex. :	4,144	:	365,281	: 185,077	: 180,204
Fayette Co., Penna	: 23,910	:	2,969,571	: 1,784,401	: 1,185,170
McDowell Co. W. Va.	: 13,748	:	1,462,519	: 739,213	: 723,306
Total	: 143,753	:	17,547,785	: 10,852,549	: 6,695,236

Excellent cooperation has been received from state and local welfare authorities, wholesalers and retailers, banks, and the Treasury Department in the operation of this program. A state or local welfare agency determines, based on income, food needs and other factors, the allotment of coupons for each household unit and the cash to be paid. Coupons are issued by a non-Federal issuing office. Cash received is deposited daily in a designated Federal depository. Food stores receive cash or credit for the coupons from any commercial bank which must accept them at face value. These coupons then flow through regular banking channels to the Federal Reserve banks where they are redeemed and subsequently destroyed.

The Federal Reserve Banks charge the Food Stamp Redemption Account of the Treasurer of the United States for the face value of coupons received. This account is made up of cash received from participants and transfers from section 32 funds. Through December 31, 1961 \$17,547,785 had been deposited in the Stamp Redemption Account, and the Federal Reserve banks had redeemed stamps totaling \$16,634,594.

TABLE I

The following table shows the use made of Section 32 funds for program operations during the past two years:

	Fiscal Year 1960		Fiscal Year 1961	
	Pounds	Dollars	Pounds	Dollars
<u>Direct Purchases</u>				
Beans	---	---	22,769,292	1,866,714
Cabbage	---	---	2,412,550	54,393
Dairy products:				
Butter	50,714,863	30,688,774	185,810,292	116,653,832
Cheese	23,504,824	8,702,319	99,397	163,297
Milk	73,741,747	11,839,378	---	1/ 270,146
Dates	1,750,000	261,625	---	1/ 33,370
Eggs dried	15,407,972	16,652,536	31,270,619	37,482,858
Eggs frozen	2,668,985	889,649	----	---
Honey	1,972,451	290,246	---	---
Livestock Products				
Chopped meat ...	---	---	40,356,581	17,828,335
Lamb	---	---	12,365,339	4,792,144
Lard	61,506,572	8,017,077	99,654,244	16,580,229
Pork	---	---	68,036,306	39,000,699
Olives	---	---	2,079,675	853,091
Olive Oil	---	1/ 1,635	---	---
Peanut Butter	12,353,948	2,258,342	63,287,000	12,588,228
Poultry	12,333,090	6,538,966	---	1/ 224,054
Rolled Oats	---	---	47,200,000	3,057,734
Sweetpotatoes	3,674,600	188,467	---	---
GAO settlements ...	---	-19,130	---	---
Total	259,629,052	86,309,884	575,341,295	251,449,124
<u>Diversion</u>				
Potatoes	---	---	333,452,300	1,236,817
<u>Exportation</u>				
Wheat	749,182,560	6,341,529	---	---
Flour (lbs in wheat equiv.)	364,356,685	4,520,892	---	---
Total	1,113,539,245	10,862,421	---	---
<u>Production Payments</u>				
Cranberries	94,266,033	7,542,803	22,630,770	1,538,399
<u>Food Stamp Payment Plan</u>				
Plan	---	---	xxx	2/ 657,865
Total Obligations	1,467,434,330	104,715,108	931,424,365	254,882,205

1/ Liquidation of prior year program.

2/ Includes \$279,288 for the costs of printing stamps and such contractual costs as necessary to issue and redeem the stamps.

C. Surplus Removal Operating Expenses

1. Planning surplus removal programs and distributing commodities

In addition to planning surplus removal programs under section 32, Agricultural Marketing Service distributes surplus food commodities (section 32 and section 416-CCC) to eligible domestic outlets and, in cooperation with AID, distributes CCC (Section 416) surplus food commodities to eligible foreign agencies. Nearly 3.6 billion pounds of surplus foods were donated by the U.S. Department of Agriculture during fiscal year 1961, for use in school lunch programs and by charitable institutions in this country and by needy persons both here and abroad.

a. Domestic Donations - Commodities are shipped at the request of State agencies, with the Federal Government paying all costs to central State receiving points. These costs may include processing and packaging as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies approve eligible recipients according to USDA standards. For example, to participate in the program, school lunch programs must be operated on a nonprofit basis, institutions and hospitals must be nonprofit and exempt from Federal income tax, and persons in family units receiving commodities must be certified as needy by a public welfare agency. State agencies are responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

Approximately 1,296 million pounds were distributed to domestic outlets and benefited some 15.5 million school children taking part in the school lunch program; nearly 1.4 million persons in charitable institutions and 6.3 million needy persons in this country. Surplus foods were also supplied to over 103,000 in 7 States and Puerto Rico who were victims of floods, snow and ice storms, tornado and hurricane winds, volcanos, tidal waves and fire.

b. Foreign Donations - CCC commodities (section 416) are processed and packaged as necessary and shipped to U.S. voluntary agencies who accept title to the commodities at a U.S. port for delivery to needy persons in foreign countries. In most cases, agencies are reimbursed for ocean freight charges. The voluntary agencies are responsible for overall supervision of the program to insure that the commodities will not be sold or exchanged and will be distributed to needy persons without regard to race, creed, or color.

Section 416 surplus foods are donated for overseas relief only after sufficient stocks have been made available to meet the needs of eligible recipients in this country. Donations for foreign distribution to 104 foreign countries amounted to 2,358.6 million pounds in fiscal year 1961.

The administrative costs in AMS in connection with the foreign donation program are financed from Section 32 funds. The quantity and cost of commodities donated to domestic and foreign outlets in fiscal years 1960 and 1961 are shown in the following Tables II and III.

2. Food Trades Program. Under this program the consumption of plentiful foods is encouraged through normal channels of trade. This is done by enlisting the cooperation of food distributors in obtaining merchandising emphasis on foods available in plentiful supply and by supporting industry food promotion and merchandising campaigns. The workload under this activity is shown in the following table:

	:F. Y. 1961	:F.Y. 1962
	: Number	:Number (Est.)
Average number of foods listed on	:	:
monthly abundant foods list	6	9
Distribution of monthly plentiful foods list :	51,790	53,000
National food drives conducted	7	10
Area, State and local food drives conducted :	20	20

Special food drives were conducted during 1961 on almonds, dairy products, cabbage, cranberries, eggs, and cheese. The August Sandwich Month, to stimulate consumption of grain supplies was fully supported. A special food guide is distributed each month to retailers and wholesalers who are approved to accept food stamp coupons. This guide gives information not only on plentiful foods but also on foods especially suitable for use in economy budgets. Major food drives are planned in 1962 on cranberries, corn, peaches, dairy products, eggs, tree nuts, potatoes, pork, and turkeys.

TABLE II

Cost in Millions of Dollars of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1960 and 1961

Program and Commodity	Domestic Distribution				Foreign			
	Schools	Institutions	Welfare	Total	Distribution	Distribution	Distribution	Total
	1960:	1961:	1960:	1961:	1960:	1961:	1960:	1961:
Section 32:								
Beans	5.0	1.0	2.8	3.4	---	---	---	3.4
Butter	17.7	13.6	.2	19.9	---	---	19.9	74.8
Cheese	6.4	---	---	6.4	---	---	6.4	4.2
Date pieces	4.0	---	---	4.0	---	---	---	.4
Eggs, shell dried	1.4	1.3	16.5	23.7	---	---	20.4	28.1
Honey	.2	---	---	.2	---	---	.2	.1
Lamb	---	2.9	---	---	---	---	---	3.1
Lard	1.0	1.3	3.4	4.1	---	---	4.1	11.8
Chopped meat	---	---	7.4	2.2	---	---	---	2.2
Milk	1.6	---	---	10.1	---	---	10.1	---
Rolled Oats	---	---	1.3	---	---	---	---	1.3
Olive Oils & Olives	.8	---	---	.1	---	---	.1	.8
Peanut butter	1.1	---	2.3	1.1	---	---	1.1	3.6
Pork & Gravy	---	---	33.4	---	---	---	---	33.4
Poultry, canned	---	6.8	---	---	---	---	---	6.8
Vegetables	1.1	1.0	---	.2	---	---	.2	1.0
Total, Section 32	28.6	58.6	6.4	27.5	89.4	62.5	174.0	62.5
Section 416:								
Beans	---	1.0	1.7	1.0	---	---	1.0	1.9
Butter	24.9	---	.4	27.9	---	---	27.9	---
Cheese	7.9	---	1.0	7.9	---	---	7.9	---
Corrmeal	.5	.3	3.9	4.7	16.1	20.9	20.8	26.6
Corn	---	---	---	---	1.8	1.5	1.8	1.5
Cottonseed oil	---	---	---	---	---	1.4	---	1.4
Flour	4.5	5.6	10.5	13.3	67.3	74.1	86.5	97.1
Milk	2.0	4.3	9.0	21.8	42.3	80.0	54.5	108.8
Rice	2.5	2.3	8.1	9.0	17.6	19.6	29.3	31.8
Shortening	---	---	---	---	---	4.3	---	4.3
Wheat	---	---	---	---	3.8	6.4	3.8	6.4
Total, Section 416	42.3	13.0	9.4	8.0	148.9	208.2	232.5	279.8
Grand Total	70.9	71.6	15.8	34.0	59.4	140.0	148.9	295.0

It is estimated that commodities approximating \$528.6 million may be donated in 1962.

1/ Less than \$50,000

Quantity in Million of Pounds of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1960 and 1961

Program and Commodity	Domestic Distribution				Foreign Distribution				Total Distribution	
	Schools	Institutions	Welfare	Total	Schools	Institutions	Welfare	Total	1960	1961
Section 32:	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961
Beans	5.7	5.5	34.0	40.2	---	---	---	---	---	40.2
Butter	29.7	74.7	4	22.5	3.2	21.5	---	33.3	33.3	118.7
Cheese	17.6	11.2	1/	---	1/	---	---	17.6	17.6	11.2
Date pieces	---	1.7	---	---	---	---	---	---	---	1.7
Eggs, shell & dried	1.3	2.7	1.1	15.3	2.3	1.1	20.4	18.9	18.9	24.2
Honey	1.2	7	---	---	---	---	---	1.2	1.2	7
Lamb	---	5	---	---	---	7.6	---	8.1	---	8.1
Lard	---	6.8	5.4	8.6	26.5	8.6	62.2	31.9	31.9	77.6
Chopped meats	---	---	---	---	---	---	5.1	5.1	---	5.1
Milk	10.5	---	6.8	---	---	---	---	65.2	65.2	---
Rolls Oats	---	---	---	---	---	---	20.0	20.0	---	20.0
Olive Oil & Olives	3	2.1	---	---	---	---	---	3	3	2.1
Peanut butter	6.0	6.2	---	---	---	---	11.5	6.0	6.0	17.7
Pork & Gravy	---	---	---	---	---	---	58.3	58.3	---	58.3
Poultry, canned ..	---	---	---	4.0	---	---	---	4.0	---	4.0
Vegetables	2.4	1.5	1.3	9	---	---	---	3.7	3.7	2.4
Total, Section 32 ..	69.0	113.8	19.0	44.2	90.1	234.0	178.1	392.0	178.1	392.0
Section 416:	---	---	---	---	---	---	---	---	---	---
Beans	2	3.2	1/	---	4	3	19.4	6	6	22.9
Butter	40.2	---	4.3	---	5	---	---	45.0	45.0	---
Cheese	21.0	---	1	---	1/	---	---	21.1	21.1	---
Cornmeal	14.8	15.6	8.2	8.1	112.5	139.5	163.2	320.9	456.4	556.7
Corn	---	---	---	---	---	---	---	29.4	29.4	24.2
Cottonseed Oil ..	---	---	---	---	---	---	---	7.4	---	7.4
Flour	86.2	105.6	79.4	79.2	199.1	252.9	364.7	1,062.5	1,427.2	1,614.5
Milk	11.8	24.6	7.6	15.1	53.8	123.4	73.2	251.4	467.1	630.2
Rice	21.2	21.9	9.3	8.5	69.5	86.3	100.0	141.7	175.1	291.8
Shortening	---	---	---	---	---	---	---	---	---	22.9
Wheat	---	---	---	---	---	---	---	56.5	56.5	91.6
Total, Section 416	195.4	170.9	108.9	111.2	435.8	621.5	740.1	1,862.4	2,358.6	3,262.2
Grand Total	264.4	284.7	127.9	155.4	525.9	855.5	918.2	1,862.4	2,358.6	3,654.2

million pounds may be distributed during the 1962

Note: It is estimated that approximately 4,180.0

fiscal year.

1/ Less than 50,000 pounds.

TABLE II

Cost in Millions of Dollars of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1960 and 1961

Program and Commodity	Domestic Distribution				Foreign			
	Schools	Institutions	Welfare	Total	Distribution	Distribution	Distribution	Total
	1960:	1961:	1960:	1961:	1960:	1961:	1960:	1961:
Section 32:								
Beans	5.0	1.0	2.8	3.4	--	--	--	3.4
Butter	17.7	47.0	.2	19.9	--	--	19.9	74.8
Cheese	6.4	4.2	--	6.4	--	--	6.4	4.2
Date pieces	--	4.0	--	--	--	--	--	4.0
Eggs, shell dried	1.4	3.1	16.5	20.4	--	--	20.4	28.1
Honey .....	.2	1.0	--	.2	--	--	.2	1.0
Lamb	--	2.0	--	--	--	--	--	2.0
Lard	--	1.0	3.4	4.1	--	--	4.1	11.8
Chopped meat	--	--	--	2.2	--	--	--	2.2
Milk	1.6	1.1	7.4	10.1	--	--	10.1	--
Rolled Oats	--	--	--	1.3	--	--	--	1.3
Olive Oils & Olives	1.0	1.0	--	1.0	--	--	1.0	1.0
Peanut butter	1.1	1.3	--	1.1	--	--	1.1	3.6
Pork & Gravy	--	--	--	33.4	--	--	--	33.4
Poultry, canned	--	--	--	6.8	--	--	--	6.8
Vegetables	1.0	1.0	--	.2	--	--	.2	1.0
Total, Section 32	28.6	58.6	27.5	62.5	174.0	174.0	62.5	174.0
Section 416:								
Beans	--	2.0	1.7	1.0	--	--	1.0	1.9
Butter	24.9	--	.4	27.9	--	--	27.9	--
Cheese	7.9	1.0	1.0	7.9	--	--	7.9	--
Cornmeal .....	.5	.3	3.9	4.7	16.1	20.9	20.8	26.6
Corn	--	--	--	--	1.8	1.5	1.8	1.5
Cottonseed oil	--	--	--	--	--	1.4	--	1.4
Flour	4.5	5.6	10.5	19.2	67.3	74.1	86.5	97.1
Milk	2.0	4.3	9.0	12.2	42.3	80.0	54.5	108.8
Rice	2.5	2.3	8.1	11.7	17.6	19.6	29.3	31.8
Shortening	--	--	--	--	--	4.3	--	4.3
Wheat	--	--	--	--	3.8	6.4	3.8	6.4
Total, Section 416	42.3	13.0	31.9	83.6	148.9	208.2	232.5	279.8
Grand Total	70.9	71.6	59.4	146.1	148.9	208.2	295.0	453.8

It is estimated that commodities approximating \$628.6 million may be donated in 1962.

1/ Less than \$50,000

TABLE III

Quantity in Million of Pounds of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1960 and 1961

Program and Commodity	Domestic Distribution						Foreign		Total	
	Schools	Institutions	Welfare	1960	1961	Total	Distribution	1961	Distribution	1961
Section 32:	1960	1961	1960	1961	1960	1961	1960	1961	1960	1961
Beans	5.7	5	34.0	40.2	40.2	40.2	40.2	40.2	40.2	40.2
Butter	29.7	74.7	3.2	21.5	33.3	118.7	33.3	118.7	33.3	118.7
Cheese	17.6	11.2	1	1	17.6	11.2	17.6	11.2	17.6	11.2
Date pieces	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Eggs, shell & dried	1.3	2.7	1.1	15.3	18.9	24.2	18.9	24.2	18.9	24.2
Honey	1.2	.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Lamb	5	7.6	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Lard	6.8	5.4	26.5	62.2	31.9	77.6	31.9	77.6	31.9	77.6
Chopped meats	10.5	6.8	47.9	5.1	65.2	5.1	65.2	5.1	65.2	5.1
Milk	3	2.1	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Rolled Oats	6.0	6.2	11.5	11.5	6.0	17.7	6.0	17.7	6.0	17.7
Olive Oil & Olives	2.4	1.5	4.0	4.0	3.7	4.0	3.7	4.0	3.7	4.0
Peanut butter	69.0	113.8	19.0	44.2	178.1	392.0	178.1	392.0	178.1	392.0
Pork & Gravy	2.4	1.5	1.3	.9	3.7	2.4	3.7	2.4	3.7	2.4
Poultry, canned ..	69.0	113.8	19.0	44.2	178.1	392.0	178.1	392.0	178.1	392.0
Vegetables	2.4	1.5	1.3	.9	3.7	2.4	3.7	2.4	3.7	2.4
Total, Section 32 ..	69.0	113.8	19.0	44.2	178.1	392.0	178.1	392.0	178.1	392.0
Section 416:	69.0	113.8	19.0	44.2	178.1	392.0	178.1	392.0	178.1	392.0
Beans	2	3.2	1	.3	6.6	22.9	6.6	22.9	6.6	22.9
Butter	40.2	4.3	4.3	.5	45.0	45.0	45.0	45.0	45.0	45.0
Cheese	21.0	1	1	1	21.1	21.1	21.1	21.1	21.1	21.1
Cornmeal	14.8	15.6	8.2	8.1	135.5	163.2	320.9	393.5	456.4	556.7
Corn	2	2	2	2	2	2	2	2	2	2
Cottonseed Oil ...	86.2	105.6	79.4	79.2	199.1	252.9	364.7	437.7	1,062.5	1,427.2
Flour	11.8	24.6	7.6	15.1	53.8	123.4	73.2	163.1	251.4	467.1
Milk	21.2	21.9	9.3	8.5	69.5	86.3	100.0	116.7	141.7	175.1
Rice	2	2	2	2	2	2	2	2	2	2
Shortening	2	2	2	2	2	2	2	2	2	2
Wheat	195.4	170.9	108.9	111.2	435.8	621.5	740.1	903.6	1,862.4	2,358.6
Total, Section 416	264.4	284.7	127.9	155.4	525.9	855.5	918.2	1,295.6	1,862.4	2,358.6
Grand Total	264.4	284.7	127.9	155.4	525.9	855.5	918.2	1,295.6	1,862.4	2,358.6
Note:	It is estimated that approximately 4,180.0 million pounds may be distributed during the 1962 fiscal year.									
	1/ Less than 50,000 pounds.									

D. Marketing Agreements and Orders

These programs continue to grow in number, in area and volume of commodities covered, and in number of producers affected as reflected in the following tables:

1. Activities under the Milk, Fruit, Vegetable, and Tree Nut Agreement and Order Programs During Fiscal Year 1961 and Estimated for 1962:

Activity	: Fluid Milk		:Fruit, Vegetable,	
	: Orders		:and Tree Nut Orders	
	: 1961	: 1962:	: 1961	: 1962
Agreement and order programs in effect	: 79	: 85	: 43	: 45
Hearings held to consider amendments to	: :	: :	: :	: :
existing orders or the issuance of orders	: :	: :	: :	: :
in new areas	: 45	: 65	: 9	: 15
Requests received for new programs	: 10	: 10	: 4	: 4
Amendments issued to existing orders	: 40	: 60	: 4	: 4
Recodification of agreements and orders	: --	: 81	: --	: --
Suspensions issued to existing orders	: 22	: 40	: 1	: 2
Petitions received for review of various	: :	: :	: :	: :
order provisions	: 9	: 20	: 1	: 1
Petitions disposed of during the year	: 11	: 18	: 1	: 1
Court cases started during the year	: 14	: 50	: --	: --
Court cases disposed of during the year	: 15	: 40	: 46	: 50
Hearings held under Administrative	: :	: :	: :	: :
Procedures Act	: --	: --	: 10	: 16
Applications reviewed from dairy cooperatives	: :	: :	: :	: :
for qualifications to participate under the Act:	: 122	: 130	: --	: --
Regulatory orders issued under provisions of	: :	: :	: :	: :
marketing order	: 4	: 6	: 347	: 379
Appointment of administrative or control com-	: :	: :	: :	: :
mittees	: --	: --	: 52	: 55
Promulgation of committee rule making	: --	: --	: 19	: 26
Budgets approved	: 82	: 85	: 39	: 44
Investigation of alleged violations	: 50	: 65	: 316	: 335
Cases referred to Dept. of Justice for	: :	: :	: :	: :
prosecution	: 23	: 50	: 49	: 50
Administrators Decisions issued	: 49	: 60	: 11	: 14
Secretary's Decisions issued	: 39	: 60	: 11	: 14
Secretary's Referendum Orders issued	: 7	: 20	: 12	: 15

2. Marketing Agreement and Order Programs in Effect for Fluid Milk During Fiscal Year 1961

Orders	: Number : of : Producers	: Producer : Milk : (1,000 lbs)	: States of Origin :
<u>NEW ENGLAND:</u>			
Boston	: 9,750	: 1,951,352	: Mass., N.Y., Maine, Vt., N.H.
Connecticut	: 3,136	: 1,051,924	: Conn., N.Y., Mass., R.I., Vt.
Southeastern New England	: 2,314	: 654,676	: Conn., Mass., N.H., N.Y., R.I., Vt.
Springfield	: 884	: 199,666	: Mass., Vt., N.H.
Worcester	: 1,123	: 256,382	: Mass., Vt., N.Y., Conn., N.H.
<u>MIDDLE ATLANTIC:</u>			
New York-New Jersey ...	: 48,581	: 10,857,289	: N.Y., Pa., N.J., Md., Vt., Del.
Philadelphia	: 7,061	: 1,665,343	: Pa., Del., N.J., N.Y., Md.
<u>SOUTH ATLANTIC:</u>			
Appalachian	: 1,081	: 222,277	: Va., Tenn., Ky., N.C., W. Va.
Clarksburg	: 459	: 71,506	: Md., Pa., W. Va.
Southeastern Florida ..	: 101	: 472,904	: Florida
Tri-State	: 1,595	: 257,484	: Ohio, W. Va., Ky.
Upper Chesapeake Bay	: 2,325	: 627,887	: Md., Pa., W. Va., Va., Del.
Washington, D. C.	: 2,261	: 956,669	: Md., Va., Pa., W. Va.
Wheeling	: 1,100	: 158,120	: Ohio, W. Va., Pa.
Wilmington	: 298	: 97,560	: Pa., Md., Del.
<u>EAST NORTH CENTRAL</u>			
<u>Eastern Group</u>			
Cincinnati	: 3,991	: 595,138	: Ohio, Ky., Ind.
Columbus	: 1,478	: 344,881	: Ohio
Dayton-Springfield	: 1,921	: 447,044	: Ohio, Ind.
Muskegon	: 424	: 101,833	: Mich.
North Central Ohio	: 1,194	: 248,779	: Ind., Ohio
Northeastern Ohio	: 8,887	: 1,663,566	: Ohio, Ind., Mich., Pa.
Southern Michigan	: 14,108	: 3,099,686	: Mich.
Toledo	: 1,162	: 325,920	: Ohio, Mich., Ind.
Upstate Michigan	: 274	: 59,176	: Mich.
<u>Western Group</u>			
Chicago	: 18,746	: 5,376,658	: Ill., Wis., Ind., Mich.
Fort Wayne	: 832	: 130,711	: Ind., Mich., Ohio
Indianapolis	: 4,219	: 303,334	: Ind., Ill., Ohio
Michigan Upper Peninsula	: 708	: 124,973	: Mich., Wis.
Milwaukee	: 1,928	: 578,603	: Wis.
Northeastern Wisconsin	: 1,302	: 378,593	: Wis., Mich.
Ohio Valley	: 995	: 190,894	: Ind., Ky., Tenn., Ill.
Rockford-Freeport	: 197	: 62,264	: Ill.
S. Bend-LaPorte-Elkhart	: 1,019	: 257,552	: Ind., Mich.
Suburban St. Louis	: 1,631	: 298,480	: Ill., Mo., Wis., Ky.

Origin	Number of Producers	Producer Milk (1,000 lbs)	States of Origin
<u>WEST NORTH CENTRAL</u>			
<u>Northern Group</u>			
Black Hills	118	46,951	:S. Dak., Wyo.
Cedar Rapids-Iowa City	738	195,045	:Iowa, Ill.
Des Moines	1,021	273,109	:Iowa
Duluth-Superior	1,067	172,037	:Minn., Wis.
Eastern South Dakota ...	128	36,552	:S. Dak., N. Dak.
Minneapolis-St. Paul ...	3,364	976,603	:Minn., Wis.
North Central Iowa	902	279,408	:Iowa., Minn.
Quad-Cities-Dubuque	872	227,048	:Iowa, Ill, Wis.
Omaha-Lincoln-C. Bluffs	1,342	331,565	:Nebr., Iowa, Minn.
Platte Valley	355	106,387	:Nebr., Kans.
Sioux City	176	63,809	:Iowa, S. Daka., Nebr.
Sioux Falls-Mitchell ...	317	97,663	:S. Dak., Minn., Iowa
<u>Southern Group</u>			
Kansas City	2,640	709,648	:Mo., Minn., Kans., Iowa
Neosho Valley	678	145,615	:Kans., Mo., Okla.
Ozarks	1,023	199,545	:Ark., Mo., Okla.
St. Louis	3,115	733,001	:Mo., Ill., Iowa, Wis.
Southwest Kansas	222	70,764	:Kans., Colo., Okla.
Wichita	960	275,744	:Kans., Okla.
<u>EAST SOUTH CENTRAL</u>			
Central Mississippi	877	204,922	:Miss.
Chattanooga	689	164,860	:Tenn., Ga., Ala.
Knoxville	912	192,145	:Tenn.
Louisville-Lexington ...	2,301	506,345	:Ky., Ind.
Memphis	972	220,769	:Ky., Miss., Tenn.
Mississippi Delta	365	103,152	:Miss.
Mississippi Gulf Coast	390	61,608	:Miss.
Nashville	1,402	302,576	:Tenn., Ky.
Paducah	465	89,135	:Ky., Ark., Tenn., Okla.
<u>WEST SOUTH CENTRAL</u>			
<u>Northern Group</u>			
Central Arkansas	946	201,066	:Ark., Okla., Miss.
Fort Smith	199	43,239	:Ark., Okla.
Oklahoma Metropolitan	2,402	582,511	:Okla., Ark., Mo., Kans.
Red River Valley	557	175,136	:Okla., Texas
Texas Panhandle	488	163,331	:Okla., Texas., N. Mex.

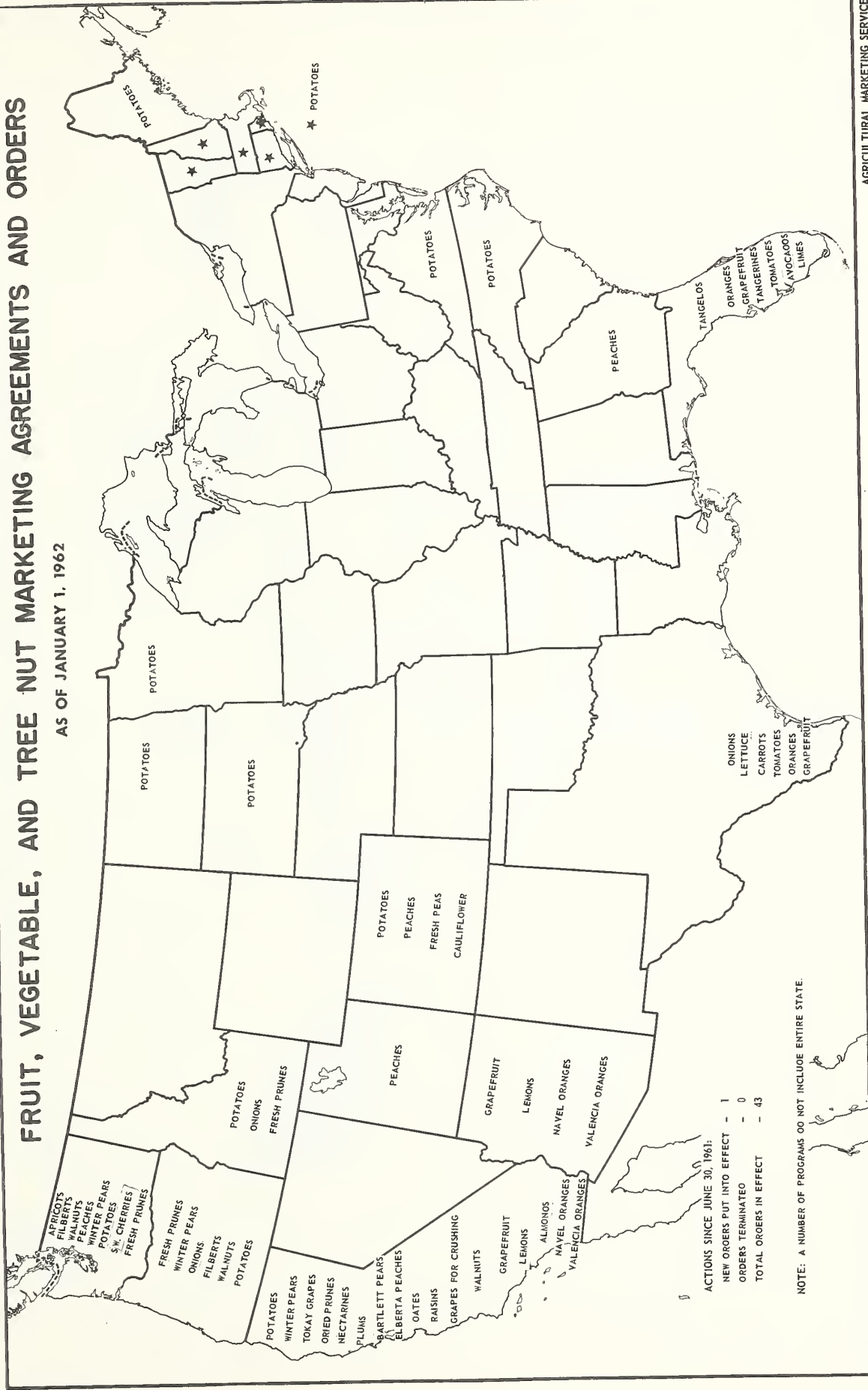
Orders	Number of Producers	Producer Milk (1,000 lbs)	States of Origin
<u>WEST SOUTH CENTRAL - con.</u>	:	:	:
<u>Southern Group</u>	:	:	:
Austin-Waco	341	129,837	:Texas
Central West Texas	471	186,332	:Texas, N. Mex.
Corpus Christi	368	163,946	:Texas
New Orleans	2,147	407,599	:La., Miss.
North Texas	2,576	940,923	:Texas, Okla., Kans., Mo.
Northern Louisiana	551	162,899	:La., Ark., Texas
San Antonio	566	262,222	:Texas, Mo.
	:	:	:
<u>MOUNTAIN</u>	:	:	:
Great Basin	1,312	395,526	:Utah, Wyo., Nev., Idaho
Central Arizona	374	440,517	:Ariz., Calif.
Colorado Springs-Pueblo	377	124,641	:Colo., Kans., Utah
Western Colorado	117	36,074	:Colo.
	:	:	:
<u>PACIFIC</u>	:	:	:
Inland Empire	656	164,295	:Wash., Idaho, Mont.
Puget Sound	3,076	1,115,770	:Wash.
	:	:	:
TOTAL, (79 Markets)	192,020	46,570,994	:
	:	:	:
Estimated Farm Value (1,000 dollars)	:	2,010,893	:

3. Fruit, Vegetable and Tree Nut Marketing Agreement and Order Programs in Effect During Fiscal Year 1961

Orders in effect	:Est. No. of: Estimated	
	:Commercial: Farm Values	
	: Producers: (\$1,000)	
<u>Citrus fruits:</u>	:	:
California - Arizona Navel Oranges	: 6,700	: 55,068
California - Arizona Valencia Oranges	: 10,700	: 72,230
California - Arizona grapefruit	: 2,000	: 3,960
California - Arizona lemons	: 6,100	: 44,556
Florida oranges, grapefruit, tangerines and tangelos ..	: 15,000	: 354,170
Florida limes	: 500	: 1,632
Texas Oranges	{ 4,000	: 9,205
Texas Grapefruit		: 8,190
<u>Deciduous fruits:</u>	:	:
Florida avocados	: 600	: 315
California Tokay grapes	: 1,200	: 6,985
Colorado peaches	: 800	: 2,450
Georgia peaches	: 350	: 11,064
Utah peaches	: 1,000	: 585
Washington peaches	: 1,500	: 3,549
California Bartlett pears, plums and Elberta peaches	: 8,220	: 52,910
California nectarines	: 1,250	: 4,664
Oregon-Washington-California winter pears	: 2,350	: 12,264
Washington apricots	: 1,000	: 1,296
Washington sweet cherries	: 1,000	: 4,898
<u>Dried fruits:</u>	:	:
California dates	: 300	: 2,701
Idaho, Oregon, Washington, dried prunes	: 1,250	: 4,296
California dried prunes	: 6,000	: 53,515
California raisins	: 9,000	: 41,516
<u>Vegetables:</u>	:	:
Colorado peas and cauliflower	: 74	: 769
Texas carrots	: 1,000	: 2,709
Florida tomatoes	: 1,360	: 44,794
Idaho - Oregon onions	: 300	: 2,725
Texas tomatoes, lettuce, onions	: 1,946	: 22,652
<u>Potatoes:</u>	:	:
Colorado	: 2,594	: 23,943
Idaho - Oregon	: 8,521	: 86,000
Oregon - California	: 1,779	: 16,500
Maine	: 4,659	: 56,166
Red River Valley	: 2,800	: 31,100
Southeastern states	: 4,059	: 17,000
Eastern South Dakota	: 267	: 660
Washington	: 1,073	: 18,000
New England except Maine	: 1,450	: 12,000
<u>Nuts:</u>	:	:
California almonds	: 6,000	: 25,376
Oregon-Washington filberts	: 3,400	: 3,612
Oregon, Washington, California Walnuts	: 13,000	: 38,444
Total, 43 orders	: XXXX	: 1,154,469

FRUIT, VEGETABLE, AND TREE NUT MARKETING AGREEMENTS AND ORDERS

AS OF JANUARY 1, 1962



ACTIONS SINCE JUNE 30, 1961:
 NEW ORDERS PUT INTO EFFECT - 1
 ORDERS TERMINATED - 0
 TOTAL ORDERS IN EFFECT - 43

NOTE: A NUMBER OF PROGRAMS DO NOT INCLUDE ENTIRE STATE.

MILK MARKETING AREAS UNDER FEDERAL ORDERS AS OF NOVEMBER 1, 1961

NOTE: Various shadings are used to identify Marketing Areas.

U. S. DEPARTMENT OF AGRICULTURE
AGRICULTURAL STATISTICS AND CONSERVATION SERVICE

NOTE: Various shadings are used to identify Marketing Areas.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which by November 30, 1961, were actually received or programmed for 1961 or 1962. Since work for other agencies is performed on a service basis at the request of those agencies and for their benefit, it is not practicable in all cases to estimate in advance the amounts to be received.)

Item	Obligations, 1961	Estimated Obligations, 1962	Estimated Obligations, 1963
Allocation and Working Funds			
(Advanced from other agencies):			
Department of Agriculture:			
Commodity Credit Corporation			
(Capital funds):			
Special milk program	\$84,333,160:	\$104,200,000:	a/ - -
Granary storage research program	33,044:	29,600:	\$29,600
Cotton quality evaluation research	249,886:	- - :	- -
National Wool Act of 1954	12,486:	2,291:	- -
Total, (Capital funds)	84,628,576:	104,231,891:	29,600
(Administrative expenses):			
Special milk program	652,535:	800,000:	a/ - -
Operation of commodity teletype	22,837:	- - :	- -
Storage research on CCC owned grain	68,980:	- - :	- -
Grain payment-in-kind	5,286:	- - :	- -
Total, (Administrative expenses)	749,638:	800,000:	- -
Agency for International Development:			
Training services	23,903:	29,900:	29,900
Technical consultation and support	14,790:	15,650:	15,650
Administrative expenses ...	1,795:	2,100:	2,100
Total, Agency for Inter- national Development	40,488:	47,650:	47,650
Office of Emergency Planning:			
Food management planning ...	24,522:	31,300:	- -
Radiological monitoring	- - :	1,500:	- -
Total, Allocations and Working Funds	85,443,224:	105,112,341:	77,250

a/ Pursuant to the Agricultural Act of 1961, a direct appropriation (in the amount of \$105,000,000) is requested for fiscal year 1963 to carry out the special milk program.

(Continued on next page)

Item	: Obligations, 1961	: Estimated Obligations, 1962	: Estimated Obligations, 1963
Trust Funds:	:	:	:
Expenses and Refunds, Inspection:	:	:	:
and Grading of Farm Products -:	:	:	:
inspection, grading, and	:	:	:
certification of:	:	:	:
Cottonseed	\$26,885:	\$32,211:	\$32,211
Dairy products	1,703,216:	1,971,618:	1,971,618
Fresh and processed fruits	:	:	:
and vegetables	6,384,771:	6,884,484:	7,063,630
Meat	4,855,974:	5,080,543:	5,080,543
Naval stores	9,544:	15,263:	15,263
Poultry products	3,953,549:	4,356,898:	4,675,672
Rice, hay, beans, peas, seed,	:	:	:
hops, and miscellaneous	:	:	:
agricultural commodities ..	1,660,691:	1,737,313:	1,737,313
Total, Expenses and Refunds ..	18,594,630:	20,078,330:	20,576,250
Miscellaneous Contributed Funds:	:	:	:
(principally evaluation of	:	:	:
cotton fiber quality, peanut	:	:	:
marketing quality, and other	:	:	:
cooperative marketing	:	:	:
research)	95,254:	36,500:	36,500
Total, Trust Funds	18,689,884:	20,114,830:	20,612,750
Obligations under Reimburse-	:	:	:
ments from Governmental and	:	:	:
Other Sources:	:	:	:
Marketing research and services:	:	:	:
Marketing research	11,239:	136,475:	136,475
Marketing services	5,940,791:	3,633,132:	3,661,132
Total, Marketing research and	:	:	:
service	5,952,030:	3,769,607:	3,797,607
Other	4,157:	- -	- -
Total, Reimbursements from	:	:	:
Governmental and Other Sources	5,956,187:	3,769,607:	3,797,607
TOTAL OBLIGATIONS UNDER ALLOT-	:	:	:
MENTS AND OTHER FUNDS	110,089,295:	128,996,778:	124,497,607

Note: In addition, foreign currencies are available under section 104(k) of Public Law 480 for marketing research projects abroad. This work is conducted by the Agricultural Research Service with the assistance of the Agricultural Marketing Service in the review and appraisal of marketing research projects undertaken abroad. The dollar expenses of the Agricultural Marketing Service in connection with this work are paid from the appropriation "Marketing Research and Service." Information on the use of foreign currencies for research by the Department is contained in the Agricultural Research Service section of these Explanatory Notes.

PASSENGER MOTOR VEHICLES

The 1963 estimates provide for the addition of 3 passenger cars and for the replacement of 27 passenger motor vehicles. The replacement represents 16 percent of the total 171 passenger motor vehicles available to the Agricultural Marketing Service.

The 27 replacements in fiscal year 1963 include: (a) 3 cars for marketing research activities; (b) 14 vehicles for marketing services activities; (c) 10 cars for marketing inspection and related trust fund activities.

The 3 additional cars are needed for expanded Packers and Stockyards activities.

These automobiles are required for use by marketing specialists to make regular supervisory inspections of posted yards and for investigative purposes in connection with the enforcement of the Packers and Stockyard Act. In order to effectively carry out the investigative activities, the vehicles used cannot be identified as Government-owned vehicles and unlimited exemption from the display of official U. S. Government identification on such vehicles has been authorized by the General Services Administration. Although two of the automobiles will need to be headquartered at locations (Albany and San Antonio) where there are established GSA interagency motor pools, the vehicles would be exempted from inclusion in such pools because they will be regularly used in the performance of investigative duties. The territory to be covered by the employees who will use these vehicles is extensive and the distance each vehicle will travel will approximate 20,000 miles a year.

To depend on the use of public transportation facilities or privately-owned vehicles for this work would be impractical due to inadequacy or lack of public transportation in many areas to be covered, and the probability that privately-owned vehicles might not always be available when needed, particularly on short notice or in emergency situations.

Passenger vehicles are replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Service Administration which provide that vehicles to be replaced must be at least six or more years of age or driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1963 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under United States Warehouse Act, Packers and Stockyards Act, United States Grain Standards

Act, Cotton Acts, and Naval Stores Acts; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and for assistance to farmers in preparing tobacco for market; (3) for travel to places which are in most cases not accessible by common carrier, such as travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1961 follows:

Age Data			Mileage Data		
<u>Age -</u> <u>Year Model</u>	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>	<u>Lifetime</u> <u>Mileage</u> (thousands)	<u>Number of</u> <u>Vehicles</u>	<u>Percent</u> <u>of Total</u>
1956 or older	47	26	Over 100	1	--
1957	29	16	80 - 100	3	2
1958	30	17	60 - 80	15	9
1959	26	15	40 - 60	49	28
1960	24	14	20 - 40	59	33
1961	<u>20</u>	<u>12</u>	Under 20	<u>49</u>	<u>28</u>
Total	<u>176</u>	<u>100</u>		<u>176</u>	<u>100</u>

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service promotes the export of U.S. farm products and represents the Department and U.S. agriculture abroad. It conducts foreign market development programs and collects and disseminates to U.S. agriculture the basic information essential to aggressive foreign marketing of U.S. agricultural products and to making necessary adjustments to meet changing situations abroad. The Service works in the following fields:

1. International Agricultural Affairs -- The Service directs and coordinates Department participation in the formulation of trade programs and agreements to stabilize and expand world trade in American agricultural products, and to reduce restrictive tariff and trade practices against import of American agricultural commodities. Recommendations for the departmental positions on trade agreements and international commodity agreements are formulated. Continuous review is made of the trade regulations of signatories to the General Agreement on Tariffs and Trade as these regulations affect the movement of American farm products in international trade. Policies, programs, positions, and standards of participation in public and private international organizations are developed. The Service administers a program of import controls in accordance with section 22 of the Agricultural Adjustment Act of 1935, as amended.
2. Agricultural Attaches -- The Service directs and coordinates a world-wide agricultural attache service with particular emphasis on the development of markets for U.S. products, and on trade reporting from foreign areas designed to aid U.S. farmers and exporters. The Service represents U.S. agriculture in the principal countries of the world.
3. Market Development Programs -- The Service conducts a broad program designed to develop foreign outlets for U.S. agricultural products and analyzes competition and demand factors relating to foreign marketing. It administers export programs, including those under the Agricultural Trade Development and Assistance Act of 1954, as amended, and related authorizations. The Service represents the Department at international commodity conferences and on foreign commodity matters at national conferences. In addition to regular dollar funds, the market development program is financed with foreign currencies accruing from P.L. 480 sales, purchased from U.S. Treasury holdings with dollars especially appropriated for this purpose.
4. Barter and Stockpiling -- The Service, in cooperation with other government agencies, conducts a barter program designed to utilize surplus agricultural commodities, in lieu of dollars, in acquiring strategic materials and other goods and services both military and civilian from other countries. This work is financed under "Administrative Expenses, Commodity Credit Corporation."
5. General Sales Management -- The Service conducts a general sales management program to develop sales, and pricing policies and programs for sales for export, including sales for credit. Foreign data such as prices and stocks and rail, truck, barge and ocean freight rates and other market information

is collected and recorded for use in program development. Information concerning prices and other sales terms, **sales** programs and commodity availabilities is furnished to U.S. exporters, foreign importers and foreign government officials. This work is financed under "Administrative Expenses, Commodity Credit Corporation."

6. Assistance to Agency for International Development -- The Service also participates in the administration of the agricultural portion of the foreign assistance program with funds allocated from the Agency for International Development. This work includes coordination of the Department's participation in the program and direction of the training program for foreign agricultural leaders, and the providing of technical information and advice in connection with the operation of the agricultural technical assistance program in foreign countries.

As of November 30, 1961, there were 811 employees in the Foreign Agricultural Service. Of the total number of employees, 561 were located in Washington, D.C., 6 in the U.S. outside the Washington Metropolitan area, and 244 were stationed in foreign countries.

	<u>Estimated Available for 1962, Adjusted for Comparability with 1963 Estimate</u>	<u>Budget Estimate, 1963</u>
Salaries and expenses	\$13,045,000	\$21,841,000
Transfer from "Removal of surplus agricultural commodities"	3,117,000	- -
Salaries and expenses (Special foreign currency program)	<u>2,856,000</u>	<u>4,000,000</u>
Total	a/ <u>19,018,000</u>	<u>25,841,000</u>

a/ Represents appropriation for 1962. An additional \$4,815,710 was available from unobligated balances brought forward from 1961 under the appropriation "Salaries and expenses (Special foreign currency program)."

Revision of activity titles and structure in the 1963 Budget Estimates. The 1963 Budget Estimates propose a revision of the activities under the item "Salaries and expenses, Foreign Agricultural Service," as follows:

Activities in the 1962 Budget	Activities in the 1963 Estimates
1. Agricultural trade policy and analysis	1. International agricultural affairs
2. Agricultural attaches	2. Agricultural attaches
3. Market development and programs	3. Market development and programs

The proposal would revise the title of the activity 1 to reflect more accurately the functions remaining in the activity after the Departmental reorganization in April 1961. Under the terms of Secretary's Memorandum 1446, Supplement 1, dated April 3, 1961, the functions assigned to the Foreign Agricultural Analysis Division and the International Monetary and Trade Statistics Branches of the Trade Policy Division were transferred from the Foreign Agricultural Service to the Economic Research Service. These functions in the 1962 Budget were included in the activity "Agricultural Trade Policy and Analysis."

The International Organizations office, previously included under activity 2, Agricultural Attaches, will be carried under the proposed activity 1, International Agricultural Affairs. This change is to align the activities with the new organization and has no effect on overall funding as is shown by the following table:

Redistribution of Estimated Obligations, 1962,
On Basis of Revised Activity Structure

Previous Activities		Revised Activities		
		1. International agricultural affairs	2. Agricul- tural attaches	3. Market develop- ment and programs
	<u>Total</u>			
1. Agricultural trade policy and analysis	\$329,000	\$329,000	- -	- -
2. Agricultural attaches	3,854,000	45,000	\$3,809,000	- -
3. Market development and programs	<u>14,945,229</u>	<u>- -</u>	<u>- -</u>	<u>\$14,945,229</u>
Total estimated obligations	<u>19,128,229</u>	<u>374,000</u>	<u>3,809,000</u>	<u>14,945,229</u>

(a) Salaries and Expenses

Appropriation Act, 1962	\$12,457,000
Transfer in 1963 estimate from "Salaries and expenses (Special foreign currency program)" to provide dollars to finance market development projects overseas	588,000
Total direct appropriation, 1962	<u>13,045,000</u>
Transfer from "Removal of surplus agricultural commodities"	3,117,000
Base for 1963	<u>16,162,000</u>
Budget Estimate, 1963	<u>21,841,000</u>
Increase	<u>+5,679,000</u>

NOTE: The following justifications incorporate the changes in the basis for the 1963 estimates as described above, and are presented on an available funds basis. The Budget estimate for 1963 reflects an increase of \$5,679,000 over the appropriation for 1962 on a comparable basis; the increase on an available funds basis is \$2,712,771.

SUMMARY OF INCREASES, 1963
(On basis of available funds)

To plan and coordinate agricultural activities involving international organizations	+21,000
To strengthen the Department's representation on interdepartmental trade agreements, trade policy and General Agreement on Tariff and Trade	+61,000
To analyze developments in foreign affairs affecting U.S. agriculture and develop policies relating thereto	+26,000
To provide for the opening of 3 new attache posts, the strengthening of existing posts and the assigning of marketing specialists to selected overseas posts	+400,000
To provide necessary support in the commodity divisions for the expanding overseas market development program, intensifying the analysis of competition in the market place, and analysis and interpretation of significant commodity developments in foreign areas	+147,000
To meet increased responsibilities on sugar and tropical products	+30,000
To provide necessary service on projects with cooperating trade groups who are operating market development projects overseas	+24,000
To provide servicing and necessary participation in trade fairs, including trade center exhibits and mobile exhibits	+39,000
To finance market development activities abroad	<u>+1,964,771</u>
Total increase, Salaries and expenses	<u>+2,712,771</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1961	1962 :(estimated):	Increase	1963 :(estimated)
1. International Agricultural Affairs	\$370,966:	\$374,000:	+\$108,000(1):	\$482,000
2. Agricultural Attaches .	3,461,238:	3,809,000:	+400,000(2):	4,209,000
3. Market development programs	13,464,986:	14,945,229:	+2,204,771(3):	17,150,000
Total obligations or estimate a/	17,297,190:	19,128,229:	+2,712,771	21,841,000
Unobligated balance	61,232:	- -	- -	- -
Total available or estimate	17,358,422:	19,128,229:	+2,712,771	21,841,000
Transfer from "Removal of surplus agricultural commodities"	-2,817,000:	-3,117,000:		
Subtotal	14,541,422:	16,011,229:		
Transfer in 1963 estimate from "Salaries and expenses (Special foreign: currency program) Foreign: Agricultural Service" (including balance brought forward)	-10,421,692:	-3,554,229:		
Transfer in 1962 estimates to "Salaries and expenses, Economic Research Service"	736,770:	- -		
Total appropriated	4,856,500:	12,457,000:		

a/ Applied costs comparable to total obligations are \$16,050,918 in 1961, \$18,443,229 in 1962 and \$18,635,000 in 1963. The differences are due primarily to an excess of market development contracts entered into over work completed.

BASIS OF 1963 ESTIMATES FOR FOREIGN AGRICULTURAL SERVICE

The 1963 estimates for the Foreign Agricultural Service involve some changes in basis which are explained below.

Financing of market development project activities. In the fiscal year 1962, market development project activities are being financed from two sources; (1) The Special foreign currency appropriation which is restricted to the purchase of foreign currencies which are determined by the Treasury Department to be in excess of the normal requirements of the United States, and those earmarked in sales agreements for use only for the purposes of 104(a), and (2) the regular Salaries and expenses appropriation financing all other expenses of market development work, including any necessary purchases of foreign currencies in the "non-excess" countries.

In 1962 foreign currencies are in excess to normal requirements of the United States in 7 countries (Burma, India, Israel, Pakistan, Poland, Egypt and Yugoslavia). In addition, earmarked currencies are available in Argentina, Colombia, Turkey, and Syria.

The 1963 estimates propose a continuation of this method of dual financing with the following changes:

- a. The determination of excess currency countries has been increased to 9 countries with the addition of Indonesia and Syria, and there are no earmarked currencies available elsewhere.
- b. The 1963 estimates reflect the proposed financing of market development activities in the 9 excess currency countries from the Special foreign currency appropriation with the remainder being financed from the regular Salaries and expenses appropriation. Obligations in 1961 and 1962 have been adjusted for comparability with 1963.

Request has been made for the conversion of P.L. 480 currencies available for conversion in the excess currency countries. These funds are being converted to countries where market development activities are being carried on and will be purchased from funds available for market development in the regular Salaries and expenses appropriation. These conversions, plus the P.L. 480 currencies used in excess currency countries will provide more than 75% of the 1962 market development funds. For 1963, if conversions of the funds provided in agreements can be accomplished, a higher percentage will be financed from currencies of the excess currency countries.

INCREASES

(1) The increase of \$108,000 under the activity "International Agricultural Affairs" is composed of:

- (a) An increase of \$21,000 to plan and coordinate agricultural activities involving international organizations.

Need for Increase: The build-up of regional and international inter-governmental organizations, and of non-government activities has resulted in a completely new set of Forums in which international problems affecting agriculture are being considered. The servicing of the U.S.D.A. specialists who represent the United States at these many meetings and the servicing and liaison of FAO requires increased staff.

This is a service function with a primary responsibility for keeping alert to, and record of international meetings and international organization activities which may be of interest to U. S. agriculture. It alerts divisions of U. S. Department of Agriculture which may be interested in presenting a U. S. position and provides technical secretariat, advice and support. Primary objective is to insure that international bodies do not make decisions affecting U. S. agriculture without the U. S. having the opportunity to be represented. U. S. recommendations for improvement are also presented. Present small staff has been unable to fully prepare U. S. representatives in international organization presentation techniques and to assist in their formal reports of the meetings.

(b) An increase of \$61,000 to strengthen the Department's representation on interdepartmental trade agreements, trade policy and General Agreements on Tariff and Trade. (GATT)

Need for Increase: Continued success of the U. S. Program for expanding agricultural exports depends on ability to cope with protectionist trade policy techniques. Each year sees more rapid progress in the creation of numerous foreign trading units such as the European Economic Community and changes in their policy techniques. These provide preferential treatment to members and raise new and complex barriers to outsiders - especially on agricultural products. Expansion of U. S. exports requires increased recognition and understanding of the policy aspects of this foreign agricultural protectionism and further progress in obtaining a liberalization of trade in foreign markets.

Increased staffing is urgently needed to provide appropriate backstopping of the Department's representatives on the interdepartmental trade agreements (TAC) and Trade Policy Committees (TPC); and the GATT which is striving to become more responsive to international trade needs for agricultural products. U. S. trade policy is responding to domestic and foreign needs by seeking more successful techniques for dealing with expanded imports at home and expanded exports abroad. These and other changes are directly reflected in increasing activity of the TAC and TPC.

(c) An increase of \$26,000 to strengthen the analysis of developments in foreign affairs affecting U. S. agriculture and to develop related policies.

Need for Increase: Revolutionary changes in policy approaches to international problems in agriculture have resulted in rapidly increasing burdens on staff activities. Developments in foreign affairs,

international commodity agreements, responsibilities under Section 204 of Agricultural Act of 1958 whereby the President may negotiate to limit specific foreign exports and U. S. imports, U.S.S.R. and Communist bloc exchange and licensing of exports, and the representation for inter-departmental cooperation and coordination, result in demands in excess of the capacity of present staff.

The International Projects Staff determines factors which need to be considered and drafts policy positions on matters of international importance for the consideration of the Administrator and the Secretary. It also represents the Department's positions in formal and informal interdepartmental conferences. The increasing complexity of modern government with the influence of the action of one department upon another has compelled interdepartmental and intergovernmental efforts with far-reaching impact on policy decisions. This staff must also monitor foreign and international developments and policies in order to be prepared as events materialize.

(2) An increase of \$400,000 under the activity "Agricultural Attaches" to provide for the opening of three new attache posts, the strengthening of existing posts and the assigning of marketing specialists to selected overseas posts.

Need for Increase: New Attache Posts - Agricultural representation, market development and agricultural reporting in important agricultural countries, which presently are not covered or which are only partially serviced by non-resident attaches is needed as follows:

Dakar

To provide agricultural reporting and representation on a regional basis covering the new Republics of Senegal, Mauritania, Mali, also Gambia, Portuguese Guinea and Spanish Sahara. This proposed new post would include the split-off of a portion of the 1-1/3 million square miles now included in the territory covered by the agricultural attache stationed at Monrovia, Liberia. U. S. interests in the economic stability and progress of these newly organized countries, as well as their current and potential agricultural production and trade possibilities, require substantial strengthening of agricultural representation and contacts. Opportunities for more coordinated and effective accomplishments are enhanced through recent establishment of U. S. diplomatic and aid Missions in several of the countries. Dakar is a focus for shipping and air transport for much of the former French West Africa; has long been an educational and cultural center and will continue to be a strong commercial center for the area. The area is an important exporter of peanuts and products, coffee, cocoa, bananas and palm kernels; imports are largely sugar, rice and wheat with limited amounts of dairy products, fruits and specialties. Peanuts production is of outstanding importance among cultivated crops competing in the world market with U. S. vegetable oil seeds and products. It is anticipated that these new republics will make strong efforts toward improving living standards and developing their potential resources. In this process there would appear to be an opportunity to enlarge somewhat limited quantities of agricultural products from U. S.

Oslo

Norway is an important dollar market with a high standard of living and an expanding economy. Food consumption of over 3000 calories per person per day is the fourth highest in Europe, exceeded only by Ireland, Denmark and the United Kingdom. The country imports nearly half of its food needs including 90% of the bread grains and all of the sugar, citrus and dried fruit. Substantial quantities of feed grains are imported. Norway relies entirely on imports for its cotton and tobacco.

Imports of agricultural products in 1960 were \$211 million of which about \$30 million came from the U. S., chiefly grains, soybeans, fruits, tobacco and cotton. Import restrictions have been lifted on many U. S. products and the way appears open for further expansion of U. S. exports. To obtain maximum benefits for U. S. agriculture, a full time Attache should be assigned in Oslo to aid U. S. exporters and maintain a flow of current market and price information for the guidance of agricultural and trade groups. In recent years, the Department has attempted to service the country from the Agricultural Attache office in Denmark but this part-time arrangement has not been sufficient to properly handle U. S. interests. Constant representation and contacts with trade officials and on-the-spot assistance to American exporters would contribute much toward maintaining and expanding sales of U. S. farm products in this hard money country with substantial import needs.

Geneva

The assignment of a specially qualified agricultural economist experienced in international agricultural affairs to represent U. S. agriculture in international agricultural conferences and forums of major interest to U. S. agriculture is urgently needed.

In 1960 Washington representatives of USDA participated in 11 GATT meetings held in Geneva. The Attaches at Bern and Bonn participated in 2. Total man-days spent in this work was 481. Also in 1960 Washington representatives and the Attache at Bern participated in 6 meetings in Geneva on the Economic Commission for Europe, a United Nations organization, for a total of 28 man-days.

U. S. interests would be much more adequately served if a qualified officer were stationed at Geneva, Switzerland, not only to represent USDA at conferences, but also to serve usefully in reporting on continuing activities of GATT, ECE (including the FAO/ECE Agriculture and Forestry Divisions), and other organizations -- such as International Labor Organization and World Health Organization -- pertaining to matters of interest to this Department.

USDA was unable to provide representation on several ECE special working party meetings on agricultural subjects, such as "Demand for Agricultural Products," "Standardization of Conditions for Sale of Cereals," "Standardization of Perishable Foodstuffs," and "Methodology of Agricultural Production Projections."

Strengthen Existing Attache Posts -

Existing attache posts need to be strengthened to enable them to more adequately meet expanding workload of timely market news reporting, market promotion and market development activities including cooperative projects with U. S. trade and industrial associations, trade fairs, agricultural exhibitions and Food for Peace operations. This would be accomplished by assigning Junior Assistant Agricultural Attaches and providing needed clerical staff and local agriculturists at posts where the need is the greatest.

Marketing Specialists -

The assignment of experienced Agricultural Marketing Specialists is required at selected important market and distribution centers overseas to further intensify programs for promoting and developing markets for U. S. agricultural products. The Marketing Specialist would operate under the general direction of the country or regional Agricultural Attache. These specialists would provide current market intelligence and timely price information by on-the-spot association with traders, importers and processors in one or more major market centers. They would assist U. S. trade associations and interested commercial concerns participating in trade promotion activities, work in close liaison with the Department of Commerce Trade Centers where such centers are established and insure that U. S. agricultural interests are appropriately represented in trade centers, international trade fairs and exhibits.

In fiscal year 1961 one such position was established at the U. S. Consulate in Hamburg and one in London to represent agriculture in the Department of Commerce Trade Center. From funds provided for the 1962 fiscal year, marketing specialists are being assigned to four agricultural market centers, Brussels, Tokyo, Manchester - Liverpool, and Milan.

For fiscal year 1963, funds are requested to provide for at least three more such assignments, determined on the basis of growing needs and development of opportunities for effective contribution to U. S. export markets.

Washington Office -

A small part of the increase would be used in Washington to strengthen backstopping and supervisory services required by attache offices overseas, speed up processing field reports and foreign market news, facilitate the dissemination of timely foreign market and price information to U. S. agricultural trade.

(3) The increase of \$2,204,771 under the activity "Market Development Programs" is composed of:

(a) An increase of \$147,000 to provide necessary support in the commodity divisions for the expanding overseas market development program, intensifying the analysis of competition in the market place, and analysis and interpretation of significant commodity developments in foreign areas.

Need for Increase: Foreign Marketing - Foreign market development projects with trade cooperators are expanding rapidly and a new high level of activity is clearly indicated. This expanded program must be adequately backstopped with a staff of foreign marketing specialists and supporting personnel. The expanded program will involve (1) new projects in the developing countries which are becoming economically stronger and which are increasing their dollar purchasing power, and (2) more emphasis on the development of new foreign outlets for non-price support commodities. Also involved is the need to coordinate and analyze an increased flow of foreign market news and intelligence which has arisen out of these activities for dissemination to and use by the U. S. trade interests.

Foreign Competition - As more countries strengthen their economies and overcome the dollar shortage, new dollar market potentials are opening up for U. S. agricultural exports. There is an urgent need to expand the analytical work on competition in the market place to include such developing markets. Current research in the area of foreign commodity competition is directed either towards major producing countries or towards markets in the major importing countries. Important discoveries are being brought to light. U. S. producers and traders need similar information in respect to price, quality, packaging, consumer preference, credit facilities, trading arrangements and related factors in newly developing cash markets.

Commodity Analysis - The world-wide agriculture intelligence coverage, operated through the Department's attache system, has been expanding with the opening of additional posts in the newly independent countries and in the countries becoming more important in agricultural trade. Analysis, interpretation, and preparation of publications on significant commodity developments which come to light through expanded commodity reporting by Agricultural Attache and official foreign government publications is vital if U. S. producer and trade interests are to gain full value from the reported available information. The information thus obtained will also be used to adjust and revise on a periodic basis the work now becoming increasingly important on the long-term world projections of the supply and demand for agricultural commodities.

(b) An increase of \$30,000 to meet increased responsibilities on sugar and tropical products.

Need for Increase: Much of the world's exportable sugar and the bulk of tropical products are produced in the less developed areas of the world where basic statistics are often fragmentary and inconsistent. This complicates the problem of developing necessary understanding and programs relating to the economic and political stability of such areas. Such information is essential to the formation and implementation of U. S. aid programs and other international arrangements.

Developments in Cuba, which heretofore supplied three-fourths of our sugar imports, calls for intensified work aimed at evaluating the productive capacity, potentials, and related factors affecting the ability of other foreign countries to produce sugar for export. Another major area relates to the coffee production estimates and other material needed in the development and implementation of international coffee agreements.

In addition, consideration is now being given to an international cocoa agreement. Other commodities are also periodically considered for commodity agreements. Further, many tropical products are strategic raw materials of agricultural origin for the United States and are important to our security as well as to the well-being of individual citizens. An expanded program of analyzing the production and trade of these commodities is thus needed to strengthen our world-wide agricultural intelligence in this critical area.

(c) An increase of \$24,000 to provide necessary service on projects with cooperating trade groups who are operating market development projects overseas.

Need for Increase: Cooperative market development agreements signed to date by FAS under Section 104(a) of Public Law 480 involve 72 trade and farm groups working in 55 countries. This rapid growth has greatly increased the need for coordinated program planning, evaluation and services.

In fiscal year 1961, independent evaluation studies were conducted in 3 countries and a Task Force met in Washington for an intensive review of this program. Both groups were unanimous on two points: (1) the program was basically sound and (2) the Washington backstopping urgently needed strengthening to improve the quality of the program and speed up the servicing of the trade groups and other participants. The requested increase will permit the adding of specialists in program evaluation, market analysis and sales promotion to provide these services to the cooperating trade groups, and to undertake analysis of the program which is urgently needed.

(d) An increase of \$39,000 to provide servicing and necessary participation in trade fairs including trade center exhibits and mobile exhibits.

Need for Increase: The gradual expansion in recent years of the trade fair program will be continued in fiscal year 1963. The direct participation by commercial firms, enabling them to display and sometimes sell their products will be accelerated. It is planned to conduct a major solo exhibit giving commercial firms an opportunity to purchase space for order-taking displays of their own making. In addition, mobile feed exhibits will be adapted and used in West European countries. A number of small exhibits as well as the development of a portable feed exhibit to be prepared for Latin American countries.

Coordinating the planning and servicing of FAS expanding Trade Center activity is the responsibility of the International Trade Fairs Division. This includes making and maintaining contacts with commodity divisions and trade groups as well as with the Washington offices of the other departments of the U. S. government with whom FAS is cooperating; the stateside procurement of materials and supplies needed for the center operation; and the selection of specialists to participate in special exhibits programmed for the center.

(e) An increase of \$1,964,771 for carrying out the Market Development Program in those countries not included in the special appropriation to buy foreign currencies.

This proposed increase will permit entering into agreements with most of the industry cooperators for three years and in selected cases for five years; expanding the market development work in some countries where the market development efforts have been limited; and for extending the market development program to several new countries.

It is expected that some of the cotton projects will be for five years. On a more limited basis, some projects for grain and feed, dairy and poultry, and tobacco may be on a five-year period. This will increase the effectiveness of the market development work by assuring continuity and permitting better planning of the projects by FAS and the U. S. and foreign cooperators.

Beginning in 1962, a sizable part of the market development work in foreign countries is financed from this appropriation. The projects financed from these funds will be in countries where the foreign currencies derived from P.L. 480 sales are determined by the Treasury to be no more than enough to meet the normal requirements of the U. S. Government. With the proposed expansion of market development work in 1963, a still larger proportion of the work will be financed from this appropriation.

The remainder of the Market Development Program will be financed from the Special Foreign Currency Program appropriation. The projects financed from these funds will be in nine countries where the P.L. 480 currencies are in excess of the U. S. Government's normal needs.

A brief description of the market development program by types of commodities and functions follows. Further details on these activities are included in the Special Foreign Currency "Status of Program" section.

- a. Cotton Promotion Activities involve a broad program to promote increased cotton consumption through market studies, sales promotion and general publicity activities.

Funds for the regional supervisory project to develop and direct country programs have been provided for 34 countries through fiscal year 1962. It is planned to add funds in 12 countries and also to provide funds for two new countries in fiscal year 1963.

Country promotional programs in cooperation with industry groups have been provided in 17 countries through fiscal year 1962. It is planned to add funds to 12 country programs and provide funds to initiate 2 new country programs in fiscal year 1963.

The maintenance and expansion of cotton consumption requires continuing effort to achieve lasting results. The tremendous volume of sales effort and publicity has greatly improved cotton's competitive position with manmade fiber products and has made the consuming public in those countries cotton conscious.

- b. Dairy and Poultry Promotion Cooperative promotion activities are presently being undertaken or planned in 37 countries. Promotion is carried out principally through efforts to increase consumption of dairy and poultry products, the supplying of livestock specialists for dairy breeding cattle, and product development. For fiscal year 1963, additional funds will be required for 28 of these countries and for 5 new countries as follows: Ghana, Hong Kong, Nigeria, Sweden, and Viet Nam.

These cooperative market development activities have produced some tangible results. Poultry promotion has materially assisted in increasing U. S. exports to West Germany, the Netherlands, and Switzerland. With increased emphasis on dairy cattle promotion in Latin America, U. S. exports to this area reached a record high in calendar year 1960 showing an increase from 6,549 in 1959 to 11,164 head in 1960.

- c. Fats and Oils Promotion. Two general types of project activities are carried out - marketing assistance and intensive promotion campaigns with emphasis on the latter. Programs for soybeans and soybean products have been undertaken or planned in 38 countries. For fiscal year 1963 additional funds will be used to continue operations in 21 of these countries. In addition, funds will be provided to initiate limited operations in 7 countries not having established country programs.

U. S. exports of soybeans and soybean products showed a spectacular rise in recent years having more than tripled since 1955, the beginning of the program. This sharp increase in exports can be attributed to several factors, including extensive and intensive market development activities. U. S. soybean oil exports have met with increased consumer acceptance abroad due to a considerable degree to the technical assistance provided by U. S. industry and Government programs.

- d. Fruit Promotion. Cooperative projects with U. S. industry groups are presently underway or planned in 15 countries. Marketing surveys, preparation and distribution of promotional literature, promotional advertising, and market reporting are the bases of promotional work abroad. Additional funds are required in 12 of these countries for fiscal year 1963.

As economic conditions improve in Western Europe and as quantitative restrictions to trade are removed, opportunities to sell U. S. fruit and fruit products in these markets will increase. U. S. fruit exporters have shown increasing interest in market development programs both to expand existing markets and to develop new markets in Western European countries, a market of over \$100 million per year for U. S. fruit exports.

- e. Grain and Feed Promotion. Projects have been undertaken or planned in 52 countries to promote increased consumption and U. S. exports of wheat and wheat products, feed grains, seed, rice, and beans through a wide variety of promotional activities. These will continue in fiscal year 1963 with new funds required for all of these countries. In addition, funds will be required to undertake work in 28 new countries: Algeria, Angola, British Guiana, Camaroon, Central African Republic, Chad, Ethiopia, French Guiana, Gambia, Haiti, Jordan, Liberia, Libya, Madagascar, Malaya, Mali Republic, Morocco, Mozambique, Congo Republic, Republic of the Congo, Senegal, Sierra Leone, Sudan, Surinam, Tunisia, Syria, Upper Volta, and the West Indies Federation.

U. S. exports of wheat increased from 510 million bushels in 1960 to about 662 million bushels in 1961. Market development was an important factor in that expansion.

- f. Livestock and Meat Promotion. Promotional activities have been undertaken or are planned in 29 countries to date for tallow, lard, breeding stock and hides and skins. Project activities include market studies and analyses, exchanges of trade personnel and the promotion of increased animal products consumption. New funds for fiscal year 1963 will be required in 24 of these countries and for 13 new countries: El Salvador, Ghana, Hong Kong, Israel, Kenya, Nigeria, Portugal, Congo Republic, Rhodesia, Sweden, Switzerland, Turkey, and Uruguay.

The tallow promotional program, through a closer working relationship with Japanese officials, was instrumental in tallow being placed on the automatic approval list, thus improving U. S. competitive position with New Zealand and Australia. Improvements in U. S. quality and competitive position have been reflected in substantial quantity increases of U. S. tallow exports to Japan. Largely as a result of this program, U. S. tallow exports to Japan increased from 306 million pounds in calendar 1959 to 379 million pounds in 1960.

The educational program on lard was effective in improving the "quality consciousness" of the German consumer and thus improved the competitive position of U. S. lard. Removal of import bans, reduction in import duties, substantial decreases in prior deposit requirements for breeding livestock and additional livestock purchases are some of the achievements which have resulted from these market development activities.

U. S. exports of hides and skins to Japan in the first half of calendar 1961 increased by 836,000 hides and skins compared with the corresponding period in 1960, which was largely due to market development efforts in Japan.

- g. Tobacco Promotion. Two types of project activities are carried out - marketing studies and surveys, and intensive promotional campaigns. Work is being performed to date in 18 countries. For fiscal year 1963, additional funds will be required for 3 of these countries.

Promotional efforts presently concentrated in 5 countries which offer the best opportunities (France, Japan, Thailand, Burma, and Egypt) indicate increased cigarette sales containing U. S. leaf. Although this program has been largely responsible for increased tobacco exports to all of these countries, most spectacular results have been in Japan where imports of U. S. leaf have increased from 5 million pounds in 1955, beginning of the program, to 12.4 million pounds in 1960.

- h. International Trade Fairs. Requirements for 1963 are about the same as for 1962, with plans for trade fair participation and related activities in 11 countries: Belgium, Egypt, France, West Germany, India, Italy, Japan, Netherlands, Nigeria, Peru, and U. K. These fairs provide an excellent opportunity to familiarize buyers and visitors with the wide range of American agricultural products that are available and provide an effective means for establishing and stimulating expanded consumer demand.

STATUS OF PROGRAM

Current Activities: Current information on foreign agricultural production, markets, policies and competition are gathered, analyzed, interpreted and disseminated to United States farmers, business and Government. This information is made available, in person and through publications, wherever decisions are made on important foreign economic and other problems so that the interests and problems of the United States farmers may be taken into account in making those decisions.

The expansion and stabilization of world trade, particularly in agricultural products, is actively encouraged through the removal of barriers to trade, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities throughout the world, and making the information obtained available to the U. S. farmers, processors, exporters and other interested groups.

United States agricultural interests are represented and their position presented in the development of international agreements.

Agricultural attaches are stationed in 60 posts throughout the world to represent U.S. agriculture at those posts. The attaches work includes a comprehensive system of reporting to meet the needs of U.S. agriculture, to act as the voice of American Agriculture at the posts, and to take necessary action in the development of foreign markets for U.S. agricultural products.

A broad program is carried out for the development of markets abroad for United States agricultural products in surplus or potential surplus supply. Export programs, including those under the Agricultural Trade Development and Assistance Act, Public Law 480, and related authorizations, as well as import programs and controls are administered by the Service.

The State Department is reimbursed by the Foreign Agricultural Service (FAS) for administrative and other support costs furnished overseas at the attache posts. It is estimated that such costs will amount to \$1,146,000 in 1963.

Selected Examples of Recent Progress:

INTERNATIONAL AGRICULTURAL AFFAIRS

1. U. S. Agricultural Exports Set Value and Volume Records in Fiscal Year 1961. As shown in the following table, U. S. agricultural exports totaled \$4,946 million in fiscal year 1961, 9 percent above the \$4,517 million in 1960 (Chart No.1). Export volume topped the previous record in 1960 by 7 per cent. With the exception of a decline in vegetables and preparations, all major commodity groups registered increases during fiscal year 1961. Of the \$429 million gain in exports in 1961, grains and preparations accounted for 59%; cotton 24%; tobacco 9%; livestock products 7%; and, fruit and preparations 1%.

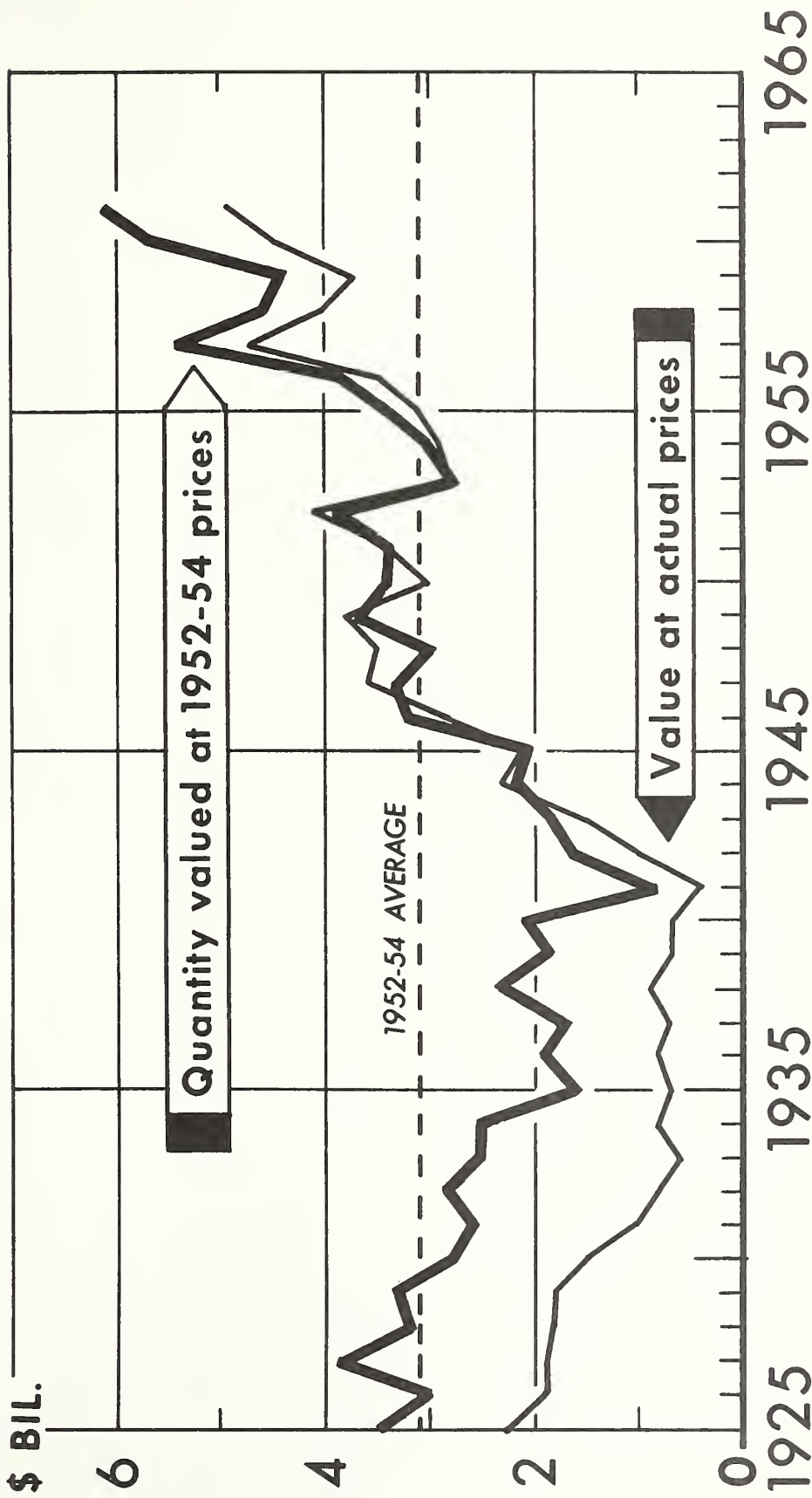
U. S. agricultural exports, fiscal years 1960 and 1961

Commodity	: : 1960	: : 1961	: Percent : Change
	- \$ Million - - -		
Cotton	826	937	+13
Grains and preparations <u>a/</u>	1,637	1,905	+16
Tobacco unmanufactured	342	385	+13
Vegetable oils, oilseeds and products <u>a/</u>	601	603	+ 0.3
Fruits and preparations	250	254	+ 2
Vegetable and preparations <u>a/</u>	150	127	-15
Livestock products <u>a/</u>	584	613	+ 5
Other	127	122	- 4
Total <u>a/</u>	4,517	4 946	+ 9

a/ Includes private relief, mostly CCC donations to private welfare agencies for overseas distribution.

2. Production from One out of Six Acres was exported. The ratio of agricultural exports to cash receipts from farm marketings, which has been increasing in recent years, reached 15 percent in fiscal year 1961. This represented the output of approximately 60 million acres of U. S. cropland, an increase of 5 percent over 1960. Exports in 1961 required financing, inland transportation, storage, and ocean transportation for 41 million long tons of cargo--enough farm products to fill 1 million freight cars or 4,000 cargo ships. In moving these exports, an average of 11 ships weighed anchor each day.
3. Export Market Benefits Many U. S. Farmers. U. S. exports of some farm commodities comprise important segments of domestic output. Selected commodities show export shares in fiscal year 1961 ranging from 13% for dry edible beans to 58% for dry edible peas, as indicated in the following table. After dry edible peas, rice ranked second accounting for 57% of output. Cotton and wheat exports were equivalent to 49% of output.

U. S. Farm Exports Set Value and Volume Records in 1960-61



YEAR ENDING JUNE 30

4. Wheat Exports Set New Record. Exports of wheat and wheat flour totaled 661 million bushels in fiscal year 1961 (Chart No.2), compared with 511 million in the previous year, and the prior record of 549 million bushels in 1957. Though substantial shipments were made under Government programs to such countries as India, Pakistan, Egypt, Brazil, and Poland, dollar wheat exports also recorded a significant increase mainly to Western Europe to supplement milling supplies following the low quality harvest there in 1960.
5. Exports of Soybeans, Hides and Skins, Poultry Meat, and Variety Meats Reached New Highs. Soybean exports totaled 143 million bushels in 1961, 11 million bushels larger than the previous record in 1960. Developments which contributed most to the record level of exports last year were the increased foreign consumption of vegetable oils, the lack of soybeans for export by Communist China, and an increasing use of protein meal for prepared livestock feeds. Exports of hides and skins, poultry meat, and variety meats, which totaled \$83 million, \$57 million and \$27 million respectively, were stimulated by plentiful supplies available in the United States at relatively low prices and by increased foreign demand.
6. Cotton Exports Second Highest in Over a Quarter-Century. Exports of cotton excluding linters totaled 7 million running bales in 1961 (Chart No.3), 6 percent above the 6.6 million recorded in 1960. Increased exports reflected the continued high consumption of cotton abroad, relatively low levels of cotton stocks in other major producing countries, and the plentiful supplies of U. S. cotton available for export.

competitive prices. Last year's shipments went principally to Western Europe, Japan, India, Canada, and Hong Kong.

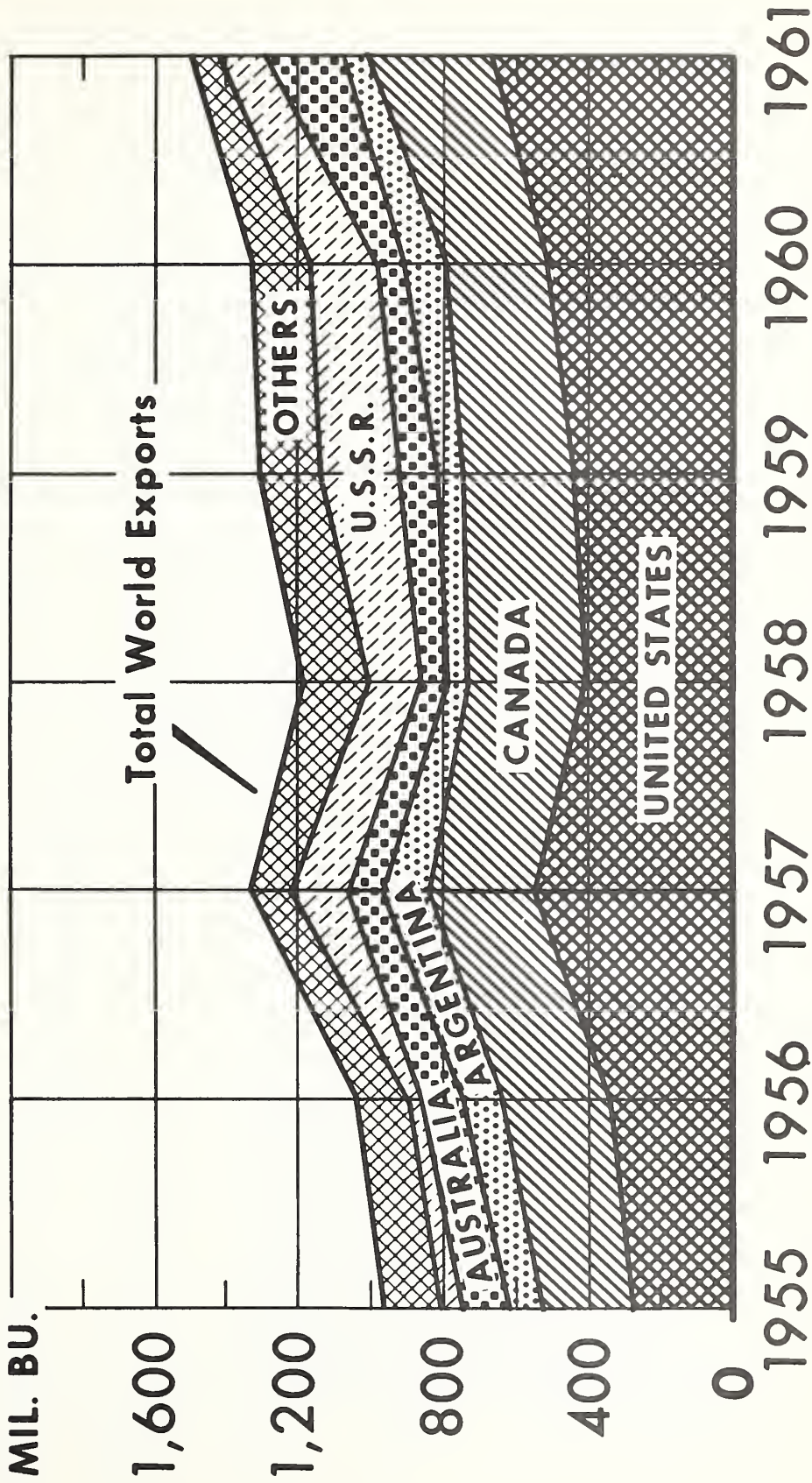
7. Shipments of Feed Grains and Rice were next to the Largest on Record. Feed grain shipments dipped below the record of the previous year. Exports of feed grain (excluding products) amounting to 12.1 million short tons in fiscal year 1961 were only slightly below the 12.3 million recorded in 1960. Shipments to Asia, especially Japan, India, and Israel, increased over the previous year. Western Europe, however, which takes about two-thirds of the total, purchased less in 1961 because of the larger supply of feed wheat available from the low quality harvest there. Last year's exports of corn reached record levels while shipments of oats, barley, and grain sorghums fell below the high levels of the previous year. Rice exports of 21.5 million bags (milled basis) were second highest in volume during 1961, slightly larger than the previous year. About two-thirds of the rice moved under Government export programs, mostly under Title I, Public Law 480. U. S. rice exports have remained high despite the large increase in world production, especially in Asia.
8. Over Two-thirds of Last Year's Exports went to 14 Countries. The value of U. S. agricultural exports to the countries listed in the following table ranged from \$553 million for Japan to \$83 million for Venezuela (Chart No. 4). These countries--Japan, India, and Canada--accounted for over half of the value gain last year. The other countries which took more U. S. farm products included Italy, Spain, Poland, Pakistan, and U.A.R.-Egypt. Declines occurred in exports to the United Kingdom, the Netherlands, West Germany, Belgium, France, and Venezuela.

U. S. Agricultural Exports by Country of Destination, Fiscal Years 1960 and 1961

Country	: 1960	: 1961	::	Country	: 1960	: 1961
	: \$ Million		::		: \$ Million	
1. Japan.....	441	553	::	9. Poland.....	93	144
2. United Kingdom..	475	466	::	10. Belgium.....	134	131
3. Canada.....	410	455	::	11. France.....	119	112
4. India.....	279	346	::	12. Pakistan.....	25	106
5. Netherlands.....	339	324	::	13. UAR-Egypt.....	95	100
6. W. Germany.....	374	322	::	14. Venezuela.....	95	83
7. Italy.....	155	214	::	Other.....	1,447	1,433
8. Spain.....	36	157	::	Total.....	4,517	4,946
	:	:	::		:	:

9. Government-financed Programs Accounted for 31% of Fiscal Year 1961 Shipments. Exports under Public Law 480 and Mutual Security Program totaled \$1.5 billion, an increase of about 15 percent over the previous two years. Exports increased under Title I, Title II, and Title III donation programs and under the Mutual Security Program. A decrease in Government program shipments occurred under the Barter Program. Wheat and flour shipments accounted for 53% of Government-financed exports; cotton 15%; feedgrains 10%; vegetable oils and oilseeds 6%; rice 5%; tobacco 5%; dairy products 4%; and other commodities 2%.

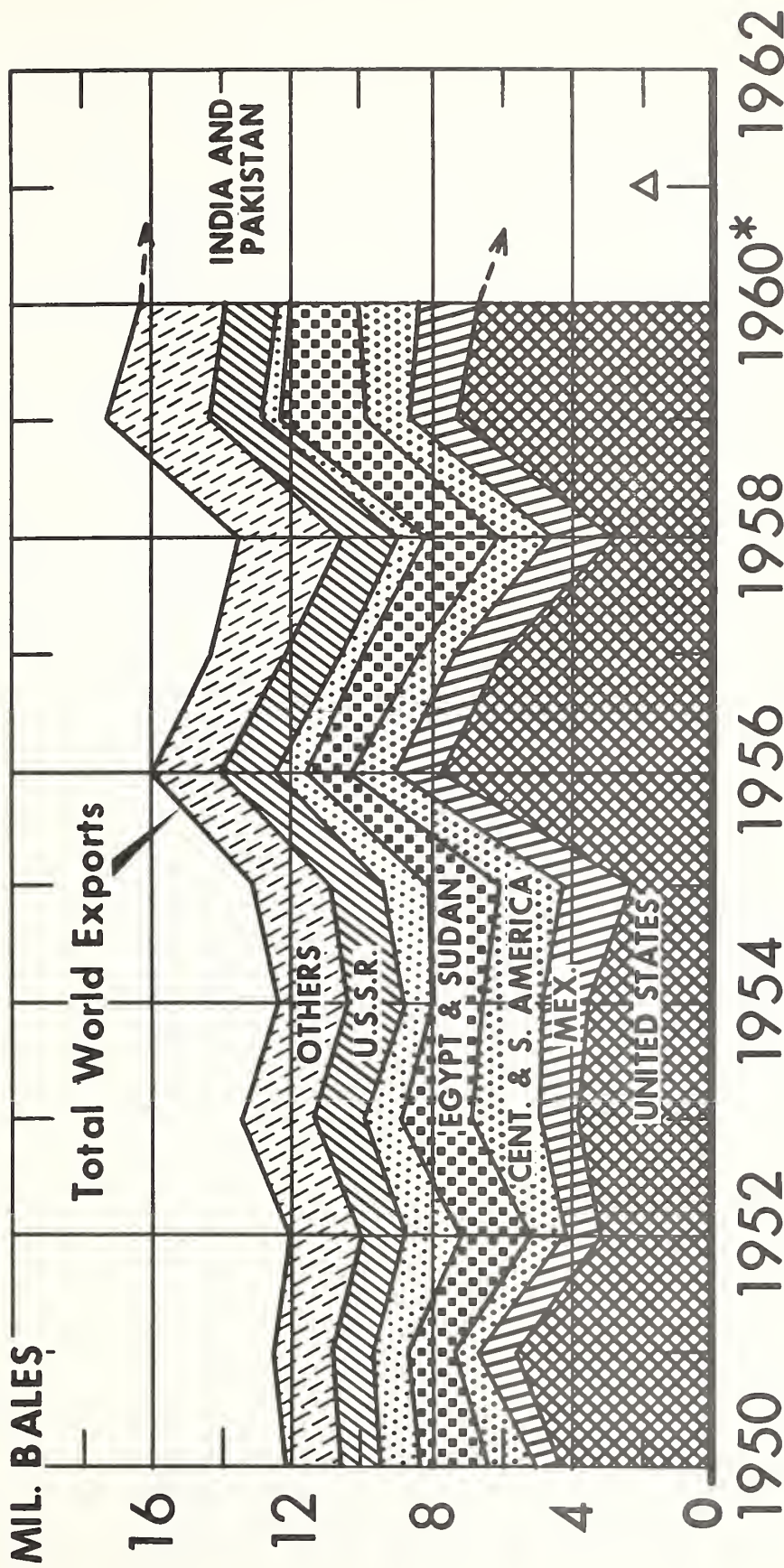
U. S. Increases Share in Record World Wheat Market



YEAR ENDING JUNE 30.

* INCLUDES FLOUR OR WHEAT EQUIVALENT.

World Cotton Trade Continues at High Level in 1961-62

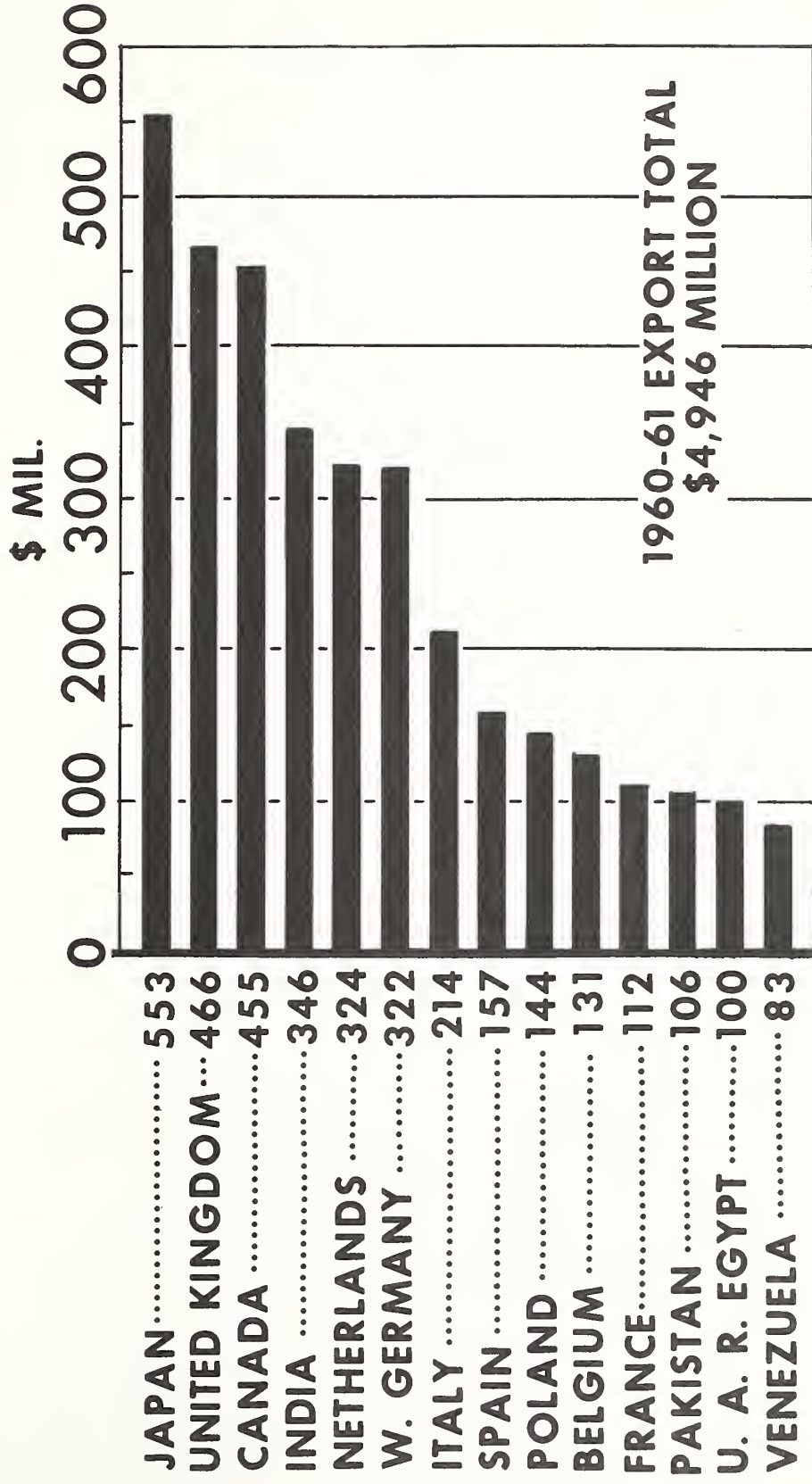


YEAR BEGINNING AUGUST 1

*PRELIMINARY

Δ FORECAST

71% of U. S. Agricultural Exports Go to 14 Markets



YEAR ENDING JUNE 30, 1961.

10. Sales for Dollars in 1961 Increased over 1960. Last year's \$429 million increase in U. S. agricultural exports was almost equally divided between gains in dollar sales and increased shipments under Government programs. Dollar exports expanded from \$3,203 million in 1960 to \$3,393 million in 1961 (Chart No.5). Last year's exports for dollars were only \$37 million less than in the record year, 1952. Gains in dollar exports last year were principally in wheat, corn, soybeans, cotton and tobacco with smaller increases being recorded for poultry meat, variety meats, and hides and skins.
11. Agricultural Exports More than Double Supplementary Agricultural Imports. Supplementary imports--consisting of products most nearly like those produced by U. S. agriculture--totaled \$1,811 million in fiscal year 1961. The ratio of agricultural exports to supplementary imports was 2.7 to 1. In other other words, exports were more than double imports of like commodities. Excluding cane sugar imports which are classified as supplementary but are under import control, the ratio was 3.7 to 1. Supplementary imports in 1961 were 9% less than in 1960, with declines in dutiable cattle, hides and skins, beef and veal, wool, and sugar more than offsetting slight gains in cheese, pork, mutton, cotton and tobacco. Other agricultural imports, consisting of complementary items--coffee, natural rubber, cocoa beans, bananas, etc.--which are not produced in large commercial volume in the United States, totaled \$1,831 million in fiscal year 1961, 10% below the 1960 level.
12. Participation in International Organizations. The Department continues to make effective use of the opportunities provided for intercountry consultation and collaboration through United States membership in various international and regional intergovernmental organizations that deal with food and agricultural matters. Also, representatives of the Department participate in regional and international gatherings of scientists which are sponsored by non-governmental organizations for the forwarding of scientific endeavors and the exchange of information.

These activities, which are coordinated by the Foreign Agricultural Service, are advantageous to the United States since they provide for negotiation of mutually beneficial agreements with other countries (for example, the International Wheat Agreement and the International Sugar Agreement), for cooperative undertakings with other countries in many fields (ranging from consultations on technical, economic and commodity problems to the conduct of major technical assistance programs for developing countries), and for mutually beneficial exchange of statistical, economic and technical information. These many activities not only are beneficial to American agriculture directly but aid materially in the building of good relationships with other countries through direct contacts with agricultural leaders.

In addition to its coordinating role, the Foreign Agricultural Service provides active policy leadership in United States participation in some organizations (for example, the Food and Agriculture Organization of the United Nations), and in many activities such as working parties and study groups directly related to international trade in agricultural products (for example, FAO's Committee on Commodity Problems, and its

various groups which deal with surplus disposal and with commodities such as grains, rice, citrus fruits, cocoa and cocoanut).

13. Continued Efforts for Relaxation of Restrictions Against U. S. Agricultural Exports. During 1961 FAS not only maintained but intensified its efforts to insure that the agricultural policies and programs adopted by the European Economic Community (EEC) will not be injurious to the interest of non-member countries. On several occasions FAS officials, with other USDA and other U. S. Government officials, conducted high level representations with foreign government officials in Rome, Paris, Brussels, the Hague and Bonn. On each such occasion U. S. officials sought to impress upon other government officials the seriousness with which the U. S. views EEC policies and programs which disregard the legitimate trade interests of non-EEC countries, particularly in the agricultural sector.

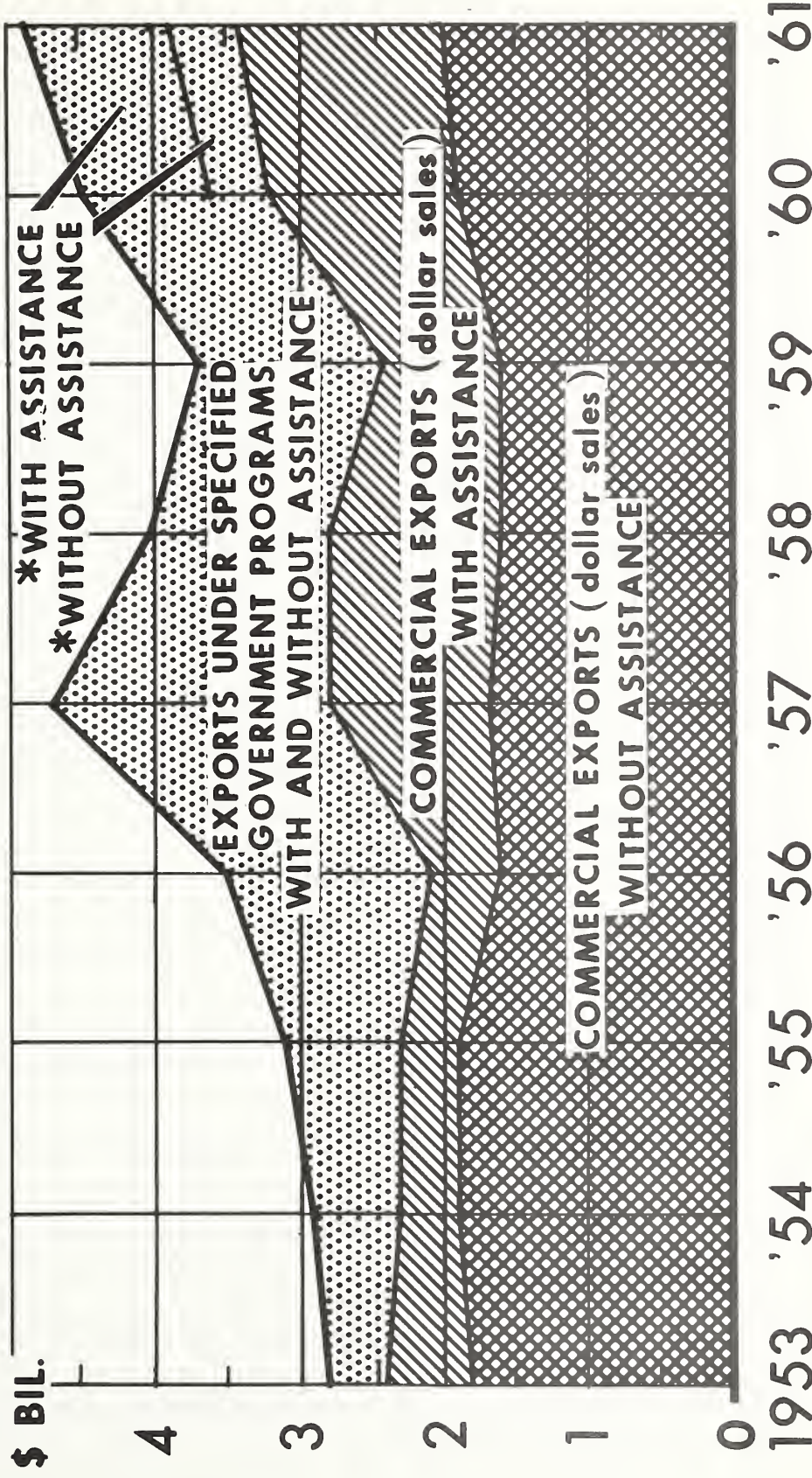
FAS vigilance of and interest in the Common Market developments expanded to include a careful examination of the possible impact on U. S. agricultural trade occasioned by the decision of the United Kingdom to join the EEC. There are many ramifications to this move and developments will require constant watching to insure that U. S. agricultural trade interests are adequately protected in the development of a united Europe.

For the past fourteen months or so, five FAS representatives have served as members of the U. S. delegation at the Fifth General Tariff Conference in Geneva, Switzerland. At this Conference the U. S. Government has been actively engaged in negotiating tariff concessions with a number of General Agreement on Tariffs and Trade (GATT) countries including the EEC. With regard to the EEC the negotiations involve, in the first instance, the matter of protecting the interests of the United States in tariff concessions, both industrial and agricultural, negotiated in earlier years and which are now being modified in order to establish a common external tariff; and in the second instance, securing meaningful new reciprocal tariff concessions on selected commodities including items of trade interest to U. S. agriculture. New reciprocal tariff concessions both agricultural and industrial were also negotiated with other GATT countries.

Despite considerable and impressive progress in the relaxation and the elimination or removal of import barriers, much more remains to be done. The residue of import restrictions still in force affects principally agricultural commodities and, in a number of instances, these restrictions apply against products of major trade interest to the U. S. Consequently, during 1961 FAS continued to seek the early removal or relaxation of remaining import restrictions.

In its efforts to break down existing trade barriers, FAS, in close cooperation with the State Department, worked through existing diplomatic channels and participated actively on U. S. delegations attending various GATT Sessions and Committee meetings. For example, in 1961 FAS took an active part in the GATT Article XXII consultations with France and Italy. Both of these consultations were requested by the U. S. to examine the remaining import restrictions still imposed by France and Italy and to urge: (1) immediate relaxation where possible and, (2) where not possible, to establish a schedule of future liberalization moves. Outside of the GATT context, FAS was instrumental in bringing about bilateral discussions, via the U. S. Embassies, with England, Germany, Japan, Belgir

Dollar Sales Account for 69% of Total Farm Exports in 1960-61



YEAR ENDING JUNE 30. *AVAILABLE ONLY FOR 1960 AND 1961.

GATT context, FAS was instrumental in bringing about bilateral discussions, via the U. S. Embassies, with England, Germany, Japan, Belgium, the Netherlands, Canada and other countries on specific commodity problems of particular trade interest to U. S. agricultural exports.

Again within the framework of GATT, FAS representatives participated in the various GATT Committee meetings as well as the 19th GATT Session where broad discussions of mutual trade problems took place and particular attention was focused on the problem of trade in agricultural products. During the 19th Session informal bilateral discussions were also conducted with Austria, Belgium, Denmark, Japan, New Zealand and Norway concerning trade problems for such agricultural commodities as feed grains, citrus fruit juices, fresh lemons, canned deciduous fruit, tomato paste and tobacco. Also during 1961 a FAS representative participated in the Balance of Payments consultations conducted under the auspices of GATT with Finland, New Zealand, Denmark, Japan, Ceylon, Chile, Turkey, Indonesia and Burma. These consultations are designed to examine the overall financial and balance of payments position of countries invoking Article XII of the GATT. Countries consulting are encouraged to follow sound fiscal policies and to remove import restrictions, discriminatory or otherwise, as rapidly as conditions permit.

These activities have borne some fruit (Chart No. 6). Examples of countries relaxing on import restrictions and agricultural commodities liberalized during 1961 follow:

Austria--dried or shelled pulses; vegetable oils; canned and frozen fruit; and jams and jellies and fruit puree.

Belgium--edible offals; vegetables intended for industrial purposes; poultry liver salted or in brine; frozen vegetables; and frozen fruit without sugar.

Denmark--peaches, fresh or frozen; apricots, fresh or preserved; and tomato juice.

Germany--soft cheese; blue mold cheese; bulbs and tubers; certain grass seeds; frozen canned spinach; frozen peas; frozen fruit; canned peaches; and fruit cocktail.

Italy--canned and frozen fruit; grapefruit and pineapple juice; rye; raw animal fats (except lard); vegetable oils; citrus fruits, fresh or dried; and seasonal periods for corn and barley.

Japan--raisins; soybeans; sausage casings; lard and pig fat; oilseed cake and meal; and meat meal.

Norway--oranges and mandarines, fresh or dried; linseed oil; sunflower seed oil; and breakfast cereals.

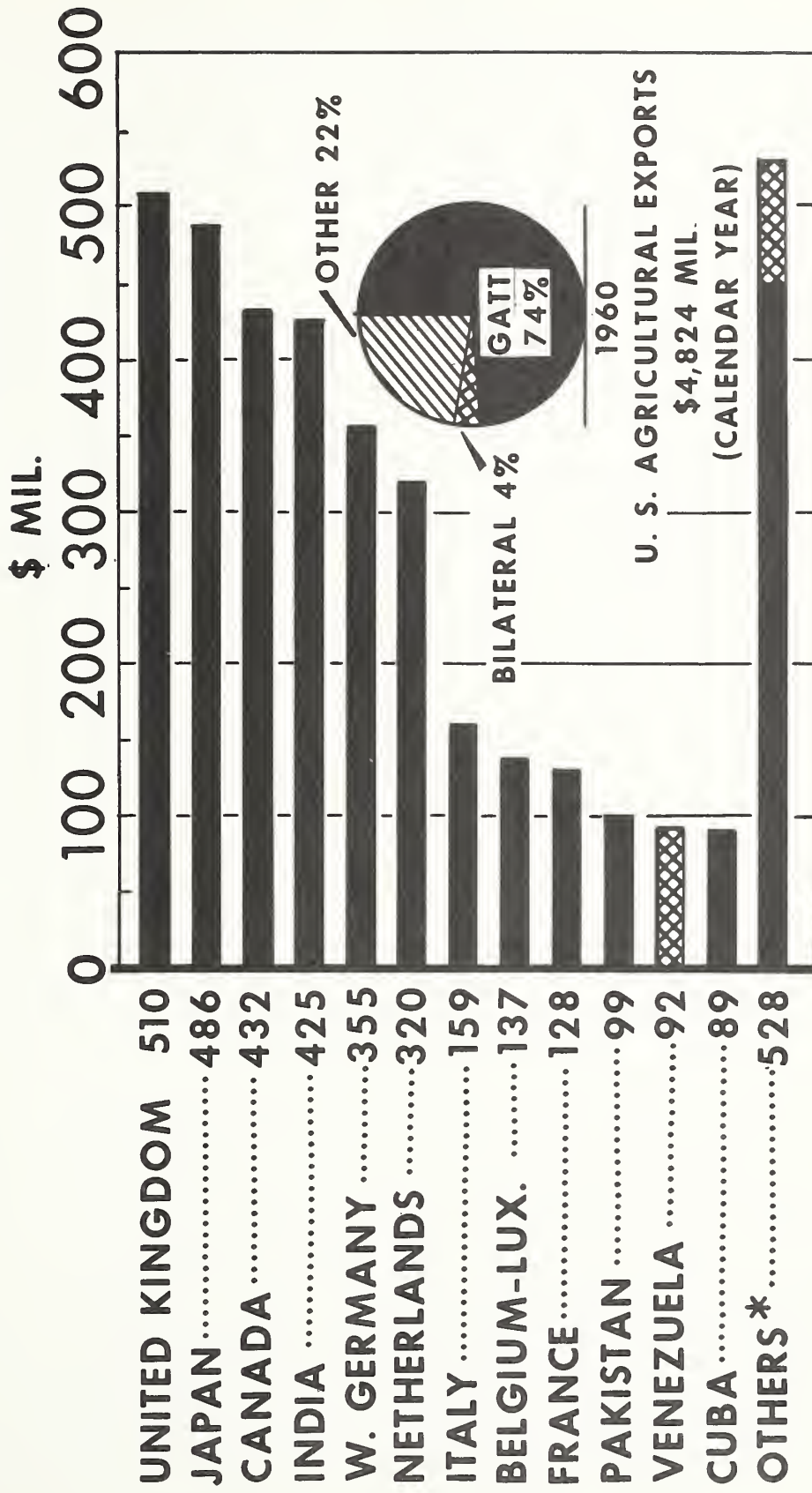
Spain--essential oils; resins; sheep skins; cotton linters; vegetables, fresh, frozen or dried; beans and peas; and meat meal.

Sweden--hog and poultry fat; poultry, salted, dried or smoked; butter; cheese; eggs; meat sausage; and canned beef.

United Kingdom--canned fruit (except apples and citrus).

14. Investigations Conducted: Section 22 of the Agricultural Adjustment Act, as amended, is designed to protect agricultural programs from being materially interfered with by imports. During fiscal year 1961, preliminary investigations and related studies were conducted on a number of commodities including blue-mold cheese, cheddar cheese, colby cheese, ice cream mix, bread and other bakery products, meat, cotton processed in any stage preceding the spinning into yarn (cotton picker lap), cotton textiles, flaxseed and linseed oil, peanut oil, tung nuts and tung oil, rye, rye flour and meal. Section 22 cases were prepared for presentation ~~before~~ the Tariff Commission on blue-mold and cheddar cheese, cotton processed in any stage preceding the spinning into yarn, flaxseed, linseed oil and peanut oil, tung nuts and tung oil, and rye, rye flour and meal.
15. Import Licenses Issued: Presidential Proclamations 3019 and 3025 issued in June 1953 under Section 22 of the Agricultural Adjustment Act, as amended, give the Department of Agriculture responsibility for apportioning imports and issuing import licenses for certain manufactured dairy products. During 1961 fiscal year, 2,677 regular and 85 supplemental licenses for imports of cheese were prepared, 147 transfers of country of origin were authorized, 357 changes in port of entry were approved, and over 50 petitions for relief from hardships were received, examined and decided upon. In addition, 185 regular and 22 supplemental licenses for imports of manufactured dairy products other than cheese were issued. Under Presidential Proclamation 2550 issued on April 16, 1942, 8 licenses for imports of seed wheat were issued and, for experimentation and research, 7 licenses for imports of wheat and 51 licenses for imports of wheat flour were issued. Under Presidential Proclamation 3195 issued on August 17, 1957, 20 licenses for imports of dry milk products were issued.

Trade Agreement Countries Take 78% of U. S. Farm Exports



*OTHER TRADE AGREEMENT COUNTRIES.

AGRICULTURAL ATTACHES

1. Trade Liberalization. The efforts of Agricultural Attaches to obtain greater trade liberalization for U. S. agricultural products is a continuing task. These endeavors, carried on in cooperation with Embassy and other U. S. government officials, cover a variety of activities concerned with the removal or reductions in import restrictions, quotas, duties and other limitations that adversely influence the movement of U. S. agricultural products in the foreign market. Representation by Attaches to prevent the issuance of proposed new or more restrictive regulations is also important, such as measures that may be applied against the certain food additives and artificial coloring materials.

Following are a few specific examples:

- Belgium - The Attache, with the cooperation of Embassy officials and through the visit of the Secretary of Agriculture, was able to obtain a substantial reduction in special taxes on import licenses, which will materially aid U. S. exporters of corn, grain sorghums, feed wheat, corn flour and other grains and grain products. This required close working relationships with Government officials and farmers' organizations. Reductions, effective in November 1961 include corn and grain sorghums from 180 to 140 Belgian Francs per 220 pounds; corn flour from 300 to 233 Belgian Francs; feed wheat from 195 to 150 Belgian Francs.
- Denmark - Representations by the Agricultural Attache were instrumental in obtaining the lifting of Danish embargo on imports of feed grains.
- United Kingdom - A threat to levy countervailing duties on U. S. barley imports was not put into effect following the presentation of information by the Agricultural Attache that U. S. barley exports were not subsidized below the general level of world prices.
- Netherlands - In the Fall of 1961 the Netherlands Government decided to classify parboiled rice as "breakfast food" which carries an ad valorem duty of 18% in place of the previous classification of "milled rice" which is free of duty under GATT. The Attache, was instrumental in getting the problem referred to the Brussels Nomenclature Committee representing 14 countries of Europe. On November 17, 1961, this committee voted in favor of the U. S. position that parboiled rice, an important U. S. export, will have the same treatment as other milled rice in all these 14 countries.
- Greece - In 1960, as a result of a large domestic crop of rice, the Government placed an embargo on imports, thus depriving U. S. firms of a commercial market for high quality parboiled rice which had been developed by advertising and sales promotion. The embargo was later modified by requiring importers to export two tons of Greek rice for each ton of rice imported.

This requirement made U. S. rice excessively expensive and was continued into the 1961 crop year, even though the local crop was short. Repeated efforts by the Agricultural Attache and Embassy officials were successful in obtaining modification of the restrictions early in 1961 and the market is again open to U. S. exporters.

Australia - Australian poultry producers forced a hearing in the Tariff Commission regarding imports of U. S. canned poultry which reached sizeable proportions in fiscal year 1961 due in part to efforts of the Attache. At these hearings, the Attache, provided with detailed data and information from USDA, kept the Tariff negotiators adequately informed and imports of U. S. canned poultry were not affected.

West Germany - U. S. poultry producers and FAS acting through the Agricultural Attache in West Germany have been seeking complete liberalization for the importation of poultry products. Turkeys, ducks, and geese had been previously liberalized. In 1961 an important step was taken in connection with chicken. While formal liberalization was not agreed to, the West German Government has been issuing licenses for the importation of U. S. chickens without limitation.

2. Market Development. High on the priority list of Agricultural Attaches is the continuing work with the commodity and trade promotion divisions of FAS and with the representatives of U. S. agriculture industrial groups to find and to further develop opportunities for increasing the commercial sales of U. S. agricultural products. These efforts have been noticeably effective in the high level of agricultural exports maintained during the past year. Although in certain instances, market promotional and developmental work have been given special impetus by means of P.L. 480 section 104(a) funds, Attaches are concerned with the longer range objective of building permanent dollar markets.

Listed below are some accomplishments during the past year:

Malaya - Alert to trade possibilities and taking advantage of a particular rice marketing situation, efforts of the Attache resulted in marketing for dollars some 10,000 tons of U. S. rice in an area which normally purchases but little of this U. S. product.

Philippines-Thailand - U. S. poultry breeders were rendered able assistance by the Attaches in making contacts that have had successful outcomes whereby U. S. breeding lines are now handled by local breeders in these countries.

Guatemala-Peru - The Attaches in these countries generated such interest in U. S. breeding stock that buying missions were organized and sent to the U. S. The mission from Peru bought \$240,000 worth of U. S. breeding stock. Total purchases of the Honduras and El Salvador missions came to about \$65,000. All of these were dollar purchases.

- Kenya - The Agricultural Attache at Nairobi has been successful in encouraging and assisting a trading company to set up the first food supermarket in that country. He arranged through USDA for a senior member of the firm to travel to the United States in the spring of 1960 and study its supermarkets. The firm's representative visited twenty-six states. Upon his return, the firm reorganized its traditional grocery store organization with a modern supermarket that now carries about 500 American items most of which had never been imported commercially and for which the demand has been increasing.
- Japan-Germany-Italy - Agricultural Attaches in these countries have played especially important roles in guiding and assisting U. S. cooperator associations in establishing country and regional offices as bases for the promotion and development of markets for their products. These services include developing relationships with the Embassy, making government and business contacts, obtaining office space and facilities, recruiting staff and arranging for administrative services and facilities.
- Japan - Unusual initiative was displayed by the Agricultural Attache office in arranging for a one-day conference of Japanese cooperator officials representing all market development activities to exchange ideas and experiences on market development programs. Twenty-six participants, mostly Japanese, participated, presenting their programs to their fellow cooperators. Various techniques of market development were discussed and illustrated by slides.
- Egypt - The Agricultural Attache and the Assistant Agricultural Attache contributed significantly to the success of the U. S. Agricultural Exhibit at the Second World Agricultural Fair held in Cairo. The exhibit presented a comprehensive demonstration of U. S. agriculture - its history, democratic foundations, scientific and technological methods, educational principles and its great production achievements. The undertaking called for several months of intensive preparation by USDA and Department of Commerce in cooperation with agricultural industry and institutions. The Agricultural Attache assisted in early negotiations and in the development of contacts and contracts. He was chairman of an Embassy Committee set up especially to advise on the development of the exhibit program. During the exhibit, his office became a highly active center for public relations and other services significant to agricultural trade and U. S. policy in general.
- Colombia - The Agricultural Attache demonstrated much skill in obtaining agreement among wheat producers, importers, millers and bakers and in gaining an understanding of the usual marketing quotas in connection with a proposed wheat program. A prohibitive high tariff rate was lowered and 80,000 tons of feed grain imported under the Title I Program.

3. Public Relations. The Attache is normally a member of the U. S. Mission Country Team, serves as Embassy staff advisor on agriculture, and contributes to the accomplishment of U. S. foreign policy objectives with respect to agricultural matters. He functions as the official representative of the USDA in his relations with agricultural officials in his area of assignment.

The Agricultural Attache appreciates the necessity for good personal and official relationships and looks upon public relations work as an integral part of his program. All opportunities are utilized so far as feasible, to write articles for foreign agricultural papers, to make speeches before agricultural, business and other professional groups and organizations for the purpose of explaining and interpreting U. S. agricultural policies and programs, maintaining friendly relationships, and developing a receptive climate in which the interests of U. S. agriculture may be advanced.

The Agricultural Attache is the point of contact for visiting U. S. officials, businessmen and others interested in agricultural affairs; he takes advantage of all opportunity to prepare the way and put them in contact with appropriate persons or agencies in his country. He actively assists and backstops the market promotion and development activities of U. S. cooperator programs operating in his country. He must be on the alert to correct and to properly interpret misstatements or misinformation concerning U. S. agricultural policies and programs.

The alertness of the Agricultural Attache in Thailand and his sensitivity with respect to misunderstanding that might arise which could lead to impairment of relationships, led to his writing a letter to the author of an article in a U. S. farm magazine pointing out certain incorrect data and conclusions pertaining to the effect of U. S. foreign sales of rice on the price of Thailand rice. In his letter to the author, the Attache cited actual price figures of the Thai Board of Trade which definitely showed that Thai rice prices -- and more importantly, the prices paid to Thai farmers for paddy rice, had not suffered by U. S. P.L. 480 sales to India. In fact, the market had strengthened during the year.

The Agricultural Attache of the Republic of South Africa has been successful in developing excellent personal and working relations with government and private agricultural organizations and farmer groups in South Africa. His counsel is sought by responsible leaders on various matters related to agricultural trade or technical exchange with the U. S. He has made speeches on agricultural problems at many important agricultural conferences, and participated in special agricultural activities. His talks and written articles have received wide and favorable press coverage; he has appeared several times on radio programs. Also, he has taken the initiative to form an organization of South African agricultural graduates from Cornell and other Land-Grant Colleges for social and professional activities.

The Assistant Attache in Mexico, because of intimate knowledge of Mexican agriculture and economic problems facing rural people, has made notable contribution to good relationships through rendering valuable assistance to the U. S. Embassy in developing plans for the Mexican Alliance for Progress Program.

The Agricultural Attache in Venezuela demonstrated considerable skill in bringing together various groups in the Government for agreement in developing plans for initiating a school lunch program.

The Attache in India was highly commended by the State Department for his wholehearted cooperation and expert counsel as a member of the U. S. Delegation to the 17th Economic Commission for Asia and Far East, United Nations Meeting.

4. Reporting. The Agricultural Attaches have continued during the past year to supply voluminous information concerning current and potential developments in overseas agriculture and foreign agricultural trade abroad to meet the increasing demands for information needed by U. S. agricultural agencies and industries. Through November 1961, upwards of 5,000 required and voluntary reports had been prepared in the Attache offices and submitted to FAS for further analysis, duplication and distribution. These basic reports provide much of the background and guidelines on which the U. S. agricultural industry, -- including producers, processors, distributors and traders, -- adjust activities to changing world agricultural conditions, as well as to provide Government and the Congress with basic foreign agricultural facts useful in formulating economic policies and administering agricultural programs.

In addition to innumerable letters, memoranda and telegraphic communications carrying pertinent agricultural information during the past year, the requests to Attache offices for special reports and for special handling of items have been exceptionally numerous covering a wide variety of subjects. These included supplying data in connection with international negotiations and agreements on such commodities as coffee, sugar, wheat; information required in connection with the General Agreement on Tariffs and Trade; reports of special interest to U. S. regulatory bodies such as chemicals used for pest control and in connection with food products; reports containing information useful to agricultural manufacturers such as the amount and type of chemicals for fertilizers, insecticides and pesticides in foreign countries.

So that information will be at hand relative to competitive markets, special current price quotations and spot market news are being received regularly from important world market centers such as Liverpool, Paris, The Hague, Hamburg, Tokyo and others, for use by the Agricultural Stabilization and Conservation Service and the Sales Managers Office of FAS in setting up sales programs and policies.

Agricultural Attache and USDA estimates of world-wide coffee production, supply and distribution situation have been generally accepted as the basis for coffee agreement quotas by the International Coffee Agreement authorities.

The embargo of Cuban sugar imports required that action be taken in finding new sources of supply and allocating the Cuban sugar quota fairly among other producing countries. The Agricultural Attaches quickly supplied pertinent reliable information on sugar producing capacities of various countries.

Timely and thorough reporting of the Chinese tung oil situation by the Agricultural Officer at Hong Kong aided the movement of CCC stocks at a price above the then existing U. S. support level of 20.9 cents per pound, FOB southern mills; the actual sale price was in contrast to the 16 cents per pound at which sales had been made previously.

5. International Organizations and Activities. Agricultural Attaches frequently represent the USDA, and U. S. agricultural interests generally, by serving as official delegates, advisors or observers at international meetings dealing with agricultural matters. These include such meetings as the International Wheat Agreement, the Sugar Agreement, the Economic Commission for Asia and the Far East, FAO Regional meetings as well as FAO Consultative Sub-Committees on various commodities.

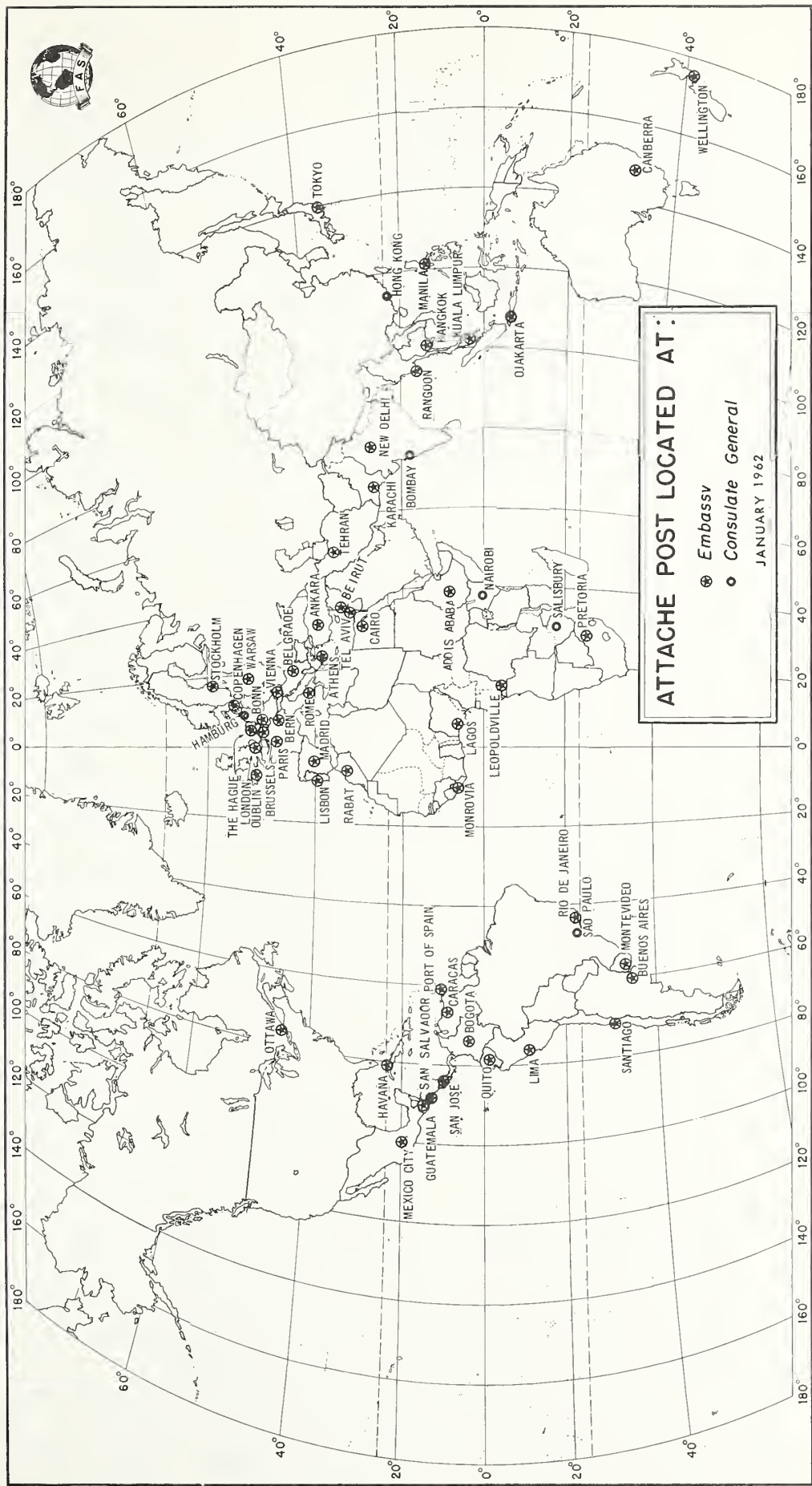
The following examples are illustrative of meetings at which the country Attache has attended in some official capacity:

5th Joint FAO/WHO Nutrition Conference for the Far East Dec. 1-8, 1961 Hyderabad, India	ECAFE Regional Seminar, on Resources & Electrical Power Development Dec. 6-16, 1961 Bangkok, Thailand
33rd Session International Wheat Council Nov. 20-28, 1961 London, England	FAO Advisory Committee Meeting on Further Uses of Surpluses for Benefit of Food-Deficient People April 5-12, 1961 Rome, Italy
11th Session FAO Conference Oct. 30-Nov. 23, 1961 Rome, Italy	FAO Technical Meeting on Coffee Production Oct. 21-29, 1960 Abidjan, Ivory Coast

Attaches in Latin America recently have been called upon by their Ambassadors in a consultative and advisory capacity concerning "Alliance for Progress." An Attache accompanied the Food for Peace Administrator on his recent trip throughout Latin America.

6. Distribution of Attache Posts. Three additional Attache posts are being established at American Embassies in San Salvador, Beirut and Addis Ababa. A Marketing Specialist/Assistant Attache has been assigned to the Attache office at Brussels. Similar assignments at three more posts are planned during fiscal year 1962. The location of Attache posts is shown on the following map.

DISTRIBUTION OF U.S. AGRICULTURAL ATTACHE POSTS



MARKET DEVELOPMENT PROGRAMS

The status of market development projects abroad which are financed from the regular appropriation has been combined with, and presented under, the "Status of Program" for the "Special Foreign Currency Program." This has been done in order to bring together in one place two closely related programs.

1. Cotton Consumption Increases in Western Europe and Japan. Cotton consumption in Western Europe and Japan has made impressive gains, especially since 1957. Although it is impossible to quantify the relationship of FAS programs to this increase, it is interesting to note that of the five recognized factors of this consumption gain, FAS programs had important roles to play in two of them. They are: (1) cotton market development programs and (2) liberalization of cotton imports. The other three important factors are: (3) increased incomes and levels of living (4) improvements of cotton's end-use qualities, and (5) more competitive cotton prices.
2. Effective Action Regarding Discriminatory Levy on U. S. Cotton. A Foreign Service despatch from Barcelona on August 25, 1961, provided details of a proposed discriminatory levy on U.S. cotton imports into Spain. Letters of protest were received from the U.S. cotton industry. Immediate cooperative action of FAS and the Department of State resulted in assurance from the Spanish that the discriminatory assessment would be eliminated and that if any future assessment was made, all cotton, regardless of country of origin, would be treated the same.
3. Market Surveys and Liaison Work. This year, FAS marketing specialists visited twenty cotton importing countries abroad. Primary emphasis was placed upon maintaining and expanding dollar sales of United States cotton through private trade channels. The specialists worked on technical problems, investigated barriers to expanded trade, checked on quality complaints, and reported on local practices that had a bearing on the market for United States cotton. The types and qualities of United States cotton, classing and fiber testing methods, and the latest developments in marketing and utilization research were discussed with foreign buyers. Government personnel as well as cotton industry groups abroad were informed of the various cotton programs and policies of the United States Government. The information gained by these trips was passed along to the United States cotton trade and others by written reports and visits by the specialists to various trade centers in the United States.
4. Argentina's Cotton Industry Studied. Government policy relating to Argentina's cotton industry has been pointed toward self-sufficiency in raw cotton and in cotton textiles. The program for textiles reduced imports to virtually nil in the early 1950's, and recent developments indicate that official policy may be taking a long-term view to the developing Latin America Free Trade Association as a market for Argentina textiles. The program for raw cotton has been successful from a quantity standpoint, but, because of a preponderance of the cotton produced is low grade and short stapled, there is an almost constant need to import high quality and long-staple cotton and to export low quality cotton. Currently all Argentina imports of cotton

are from Peru because of a discriminatory trading arrangement whereby a 40 percent surcharge on imported cotton is waived for Peruvian cotton. If the textile market in LAFTA develops as anticipated by the Argentians, there is a good possibility that Argentina will produce cotton in sufficient quantity to meet the need, but the low quality problem will remain, and could result in larger imports and, consequently, exports of raw cotton. However, the same force creating the larger import need -- LAFTA -- would tend to restrict chances for U. S. participation in the larger market.

5. Poultry Meat Exports Set New Record. Poultry meat exports again reached a new record high of 176 million pounds in 1960. West Germany is the largest foreign customer for U. S. poultry products. Only 58,000 pounds of frozen poultry, chicken and turkey, were sent to Germany in 1955, but this had grown to 81.6 million pounds in 1960. Based on the first 9 months of 1961, it appears the volume will reach nearly 100 million pounds this year. In addition, several million pounds of canned poultry will be shipped to Germany in 1961. After numerous representations were made, the German Government liberalized the importation of turkeys in mid-1959 and, in the spring of 1961, modified import procedures for chickens in such a way as to enable U. S. exporters to compete more effectively in the German market. Imports of turkeys from the United States immediately increased; 6.5 million pounds in 1959 and 15.9 million pounds in 1960.
6. Exports of U. S. Dairy Cattle Show Substantial Gain. U. S. exports of dairy breeding cattle in 1960 total 12,945 head compared with 7,714 in 1959, or a 68 percent gain. As an example of the increased interest in purchasing U. S. breeding stock, the Government of El Salvador sponsored two dairy cattle purchase missions to the U. S. during the year. These two trips resulted in the purchase of more than 60 dairy breeding animals. At the La Molina Livestock Exposition, a major exposition held in Peru, it was observed by the FAS dairy cattle marketing specialist that all Brown Swiss shown were from the U. S. and that six of the eight champions in the Holstein breed were purchased in the U. S.
7. Interest of U. S. Dairy Cattle Exporters Broadened. Interest of U. S. cattle breeders in expanding their export market was demonstrated by the donation of 14 registered Jerseys to the people of Yamanashi Prefecture, Japan by the American Jersey Cattle Club. The Secretary of this Association and the dairy cattle marketing specialist accompanied this shipment and furnished market information on U. S. Jerseys.
8. Fats and Oils Markets Analyzed. Market analyses for U. S. oilseeds and products were made in Japan, Pakistan, Iran, Egypt, Syria, Greece and Turkey. These analyses have been published and distributed to the U. S. industry. They are aimed directly at market and industrial situations to pinpoint for the trade the opportunities and problems of investing money and effort in increasing sales in each country. These analyses were planned in cooperation with the industry and carried out with the assistance of Agricultural Attaches and in cooperation with the foreign industry of each country. Those published have met with immediate and emphatic favorable reaction from the trade, and have proved useful to them in planning and carrying on their foreign marketing activities.

The analyses also afford a basis for the planning of market development operations to increase and expand present markets and to establish new markets under the cooperative marketing program.

9. Market for Soybean Meal Increased. Foreign feed mixers and livestock feeders are responding to technical assistance in feed formulation, distribution and use. In Spain, the Government has recently authorized the direct purchase of soybean oil meal from U. S. suppliers. A market in that country has been established for 140,000 tons of soybean meal in 1961-1962, whereas only a few years ago no soybean meal was imported. Similar increases in use of soybean meal for livestock feeding have occurred in many other countries. It is expected U. S. exports of soybean meal and soybeans to supply meal requirements will continue a steady upward trend as a result of the promotion and market assistance given.
10. Marketing Efforts of U. S. Companies in Foreign Countries Rapidly Increased. Under the impetus of the marketing program, many U. S. companies exporting soybeans and soybean products have established sales organization in cooperation with foreign industry. In some cases U. S. companies are establishing processing facilities abroad for production of their product. For example, in Spain and France, U. S. companies interested in mixed feed have undertaken direct marketing activities. In Spain also, U. S. companies are establishing soybean processing plants and another U. S. company has undertaken the direct marketing of soybean protein and food preparations. Similar increased interest and activity of U. S. companies have resulted in many other countries. A basic measure of the success of the foreign marketing program is the extent to which such foreign marketing activities by U. S. companies are encouraged and established.
11. Foreign Competition in Fruits and Fruit Products Investigated. The impact of expanding foreign production has been of increasing interest to U. S. fruit industries. The series of competitive studies, which has included 24 published reports in the past 6 years was continued. This past year, 5 additional reports, based on first-hand surveys which covered foreign competitive aspects of certain U. S. fruit items, were published.

A survey of the citrus industry of Spain, the world's second most important orange producer, was carried out. It revealed that the recently-discovered presence of a tree disease--tristeza--has injected an element of uncertainty in an otherwise strongly expanding industry. The heretofore favorable prospects for development of citrus processing will also be influenced by the degree to which tristeza affects supplies of fruit.

A study of the Spanish deciduous fruit canning industry was also completed. It brought out that increased competition from Spanish canned fruit salads, apricots, and peaches can be expected in the United Kingdom and Continental markets as Spanish canners continue to modernize their plants and improve quality and growers continue to expand their crops.

An investigation was carried out in Iran of that country's raisin industry. The report concluded that the potential of the Iranian industry is more limited than commonly believed and the striking increase in exports of recent years is not likely to continue. Iranian prices also may not be as competitive as in the past.

A field investigation of the Mexican strawberry industry was made this past year. It brought out that strawberry production in Mexico should continue to increase and hence increasing quantities will be available for export to the United States and Canada. Competition in the U. S. market would continue primarily in the frozen fruit form.

A survey was made of the Mexican olive industry. The report, based on this survey, indicates that Mexico's olive industry, though expanding, is still on an experimental basis and that Mexican exports of brined olives, if any, will be erratic in volume.

12. Foreign Food Health Regulations Studied. Western European countries have continued to develop food health regulations this past year. Many of these regulations have a direct bearing on exports of fruit items from the United States. Limitations on the use of postharvest chemicals have affected adversely exports from producing areas, such as the United States, which ship fruit long distances to the Western European markets. In addition, labeling requirements tend to limit sales of treated fruit even though imports are authorized. The Foreign Agricultural Service, in cooperation with the Agricultural Research Service, has been furnishing information to European scientists and government agencies on these problems. This past year two visits were made to Western Europe on these problems, and a project to provide additional toxicity tests on Citrus Red No. 2 was initiated in the United Kingdom. The West German authorities modified their tolerances on sulphur in dried fruits this past year. The European Economic Community is initiating the development of proposed health regulations governing the use of chemical additives on fruits and vegetables in the Common Market countries. FAS, in cooperation with ARS and the U. S. fruit-exporting industries, has been urging the acceptance of U. S. Food and Drug regulations by food health authorities in foreign countries.
13. Recent Foreign Liberalization of Fruit Imports. Several foreign countries liberalized imports of additional fruit products during 1960-61. Most significant were the removal of import quotas from all canned deciduous fruits, except apples, and some canned pineapple by the United Kingdom, and from canned peaches and fruit cocktail by West Germany; the removal of seasonal import restrictions from fresh apples and pears by the Netherlands; and the placing of raisins in the automatic approval category by Japan.
14. Canada's Livestock and Meat Industry. This on-the-spot competition study analyzes current trends in the livestock industry and appraises the potential for further expansion in livestock and meat production.

Canada and the United States have a long history of two-way trade in livestock and meat. U. S. western cattle ranchers who produce feeder cattle are affected most by Canadian competition. Cattle trade with Canada fluctuates widely in accordance with U. S. cattle cycles. Demand for Canadian cattle is strongest during the early build-up of the cattle cycle when both breeders and packers are bidding against each other. When cattle numbers are high in the United States, resulting low prices received for cattle do not attract imports.

Although there is substantial trade in beef between Canada and the United States in both directions, generally Canada is a net importer. There is some competition from Canadian exports of tallow and variety meats which are sold in the same international markets, especially the United Kingdom.

The volume of livestock production in Canada has been largely adjusted to supplying domestic demand, with production expanding as the population and as per capita consumption increases. Canadian agricultural policy has been to produce grain for export rather than to market it through livestock and export of meat.

15. Ireland's Livestock and Meat Industry. This was a competition survey conducted in Ireland on methods of production, processing, and marketing of livestock and meat in order to analyze the potential for increased competition with the U. S. livestock industry; to evaluate present affects and future trends of Irish livestock and meat exports to the United States; to study and appraise the effect of government policy upon future trends in the livestock industry and of conditions in the livestock-producing areas to determine the potential for increasing production.

During 1960, the United States took 56.3 million pounds or 87 percent of total Irish boneless beef exports. The United States is expected to import boneless beef for manufacturing purposes from Ireland until such time as production of animals in the cutter and canner beef class in the U. S. increase sufficiently to supply domestic requirements.

16. The Livestock and Meat Industry in Mexico. This was a competition survey of the Mexican livestock industry, including visits to the livestock-producing areas and marketing and processing centers. It includes an analysis of the present trends of the Mexican livestock industry and an appraisal of the potential expansion of livestock and meat production. Mexico is expected to continue to ship important quantities of cattle and beef to the United States, but no significant increase in this trade is foreseen.

The cattle industry in the Mexican States adjacent to the U. S. border is based on exporting feeder calves and beef to the United States. In other parts of the country the livestock industry is devoted to supplying the domestic market, which consumes over 90 percent of total meat production.

Annual cattle trade has fluctuated widely in accordance with U. S. cattle cycles, long periods of drought in Mexico, and the raising and lowering of embargoes, import duties, and export restrictions. U. S. producers who are affected most by competition from Mexican imports are the western cattle ranchers who produce feeders and stockers. Over 90 percent of the animals received from Mexico in recent years are in this classification.

17. The United Kingdom Livestock and Meat Industry. A competitive study of the livestock and meat industry in the United Kingdom was made to determine factors involved in consumer preferences in livestock, the methods of production, and the competition between livestock products

and meat production of U. S. origin, and those of other producing countries. These analyses included the appraisal of government policies affecting tariffs, internal taxes, price supports, subsidies, marketing quotas, bilateral agreements, import licensing, and other controls which affect the imports of livestock and meat production and determine their affect on U. S. trade.

The United Kingdom is, by far, the world's largest importer of meat, usually importing about 60 percent of world meat trade annually. In 1960, imports to the United Kingdom totaled 2.8 billion pounds. The United Kingdom is the only large and important outlet for U. S. lard. The United States also supplies substantial quantities of variety meats, tallow, hides and skins, and some processed meat items.

18. U. S. Tobacco Exports Up in Fiscal 1961. U. S. exports of unmanufactured tobacco in fiscal 1961 totaled 504 million pounds--up 10 percent from fiscal 1960. The fiscal 1961 value set a new record--385 million--up 13 percent from fiscal 1960. Most of the gain in exports occurred in flue-cured, dark-fired Kentucky-Tennessee and Virginia fire-cured. It is likely that exports in fiscal 1962 will be near those of last year.
19. Burley Has Good Export Year. For the marketing year ended September 30, 1961, burley exports (farm-sales-weight basis) totaled 41.3 million pounds. This compared with 36.3 million in the previous marketing year, and were the largest since those for the marketing year ended September 30, 1949.
20. U. S. Main Supplier of Tobacco to Egypt. Trade programs and market development activity have been instrumental in making the United States the dominant supplier of unmanufactured tobacco to Egypt. During the past five years Egypt's annual tobacco imports have remained stable at about 25 million pounds. Nevertheless, the United States' share of the market increased to one-third in 1960 as compared to only one-fifth during 1951-55 and less than one-tenth in 1935-39.

The demand for U. S. tobacco has also been stimulated by an increase in the preference for American-type cigarettes in Egypt. In 1960, over 80 percent of the factory-made cigarettes were this type blend which contains large percentages of flue-cured and burley tobaccos. In the absence of Public Law 480, it is doubtful that U. S. tobacco would have been able to take advantage of this enlarged market. This program provided the needed tobaccos at a time when the shortage of dollars in Egypt would have prevented increased shipments of tobacco from the United States irrespective of the demand.
21. Import Duty Changes. A study was conducted and published relative to changes in import duties on tobacco in 117 Free World countries during the 1957-60 period. The study indicated that 37 percent of those countries raised duties on leaf, 46 percent raised duties on cigarettes, and 43 percent raised duties on cigars or cheroots. During the same period the United States lowered duties on 10 tobacco items, left 5 unchanged and did not raise the duty on a single item.

The study points out the need for keeping abreast of duty changes and, especially, the need for continuing effort in getting duties lowered in many countries and the need for the removal of barriers and other restrictions to free trade in tobacco.

22. Survey of World Sugar Developments. Developments in Cuba have disrupted the heretofore mutually advantageous trade relations with that country. For years, Cuba had supplied one-third of the U. S. sugar requirements. FAS contributed to the preparation of a report entitled "Special Study on Sugar," prepared at the request of the House Committee on Agriculture. Other studies have been made to evaluate the production potentials and capacities of foreign countries, other than Cuba, which may supply sugar to the U. S. in the future.
23. Estimating Production of Tropical Commodities. Reliable and timely information regarding production, supplies, prices, and trade of coffee, cocoa, sugar, vegetable fibers (except cotton), and other tropical products are very important to the United States, even though most of these commodities do not compete with U. S. grown products in world markets, i.e. complementary crops. No other source, government or private, has so extensive coverage as is now used in collecting and analyzing tropical crop data. This coverage has been extended and the production estimates are generally recognized as being the most reliable and objective available from any source.
24. Role in Commodity Agreements. Production estimates and studies and analyses developed by FAS are playing an important role in the development and implementation of international commodity agreements. These include the present Sugar and a proposed Coffee Agreements. The data and analyses are particularly useful in efforts to develop a long-term coffee agreement, which would include consuming as well as producing countries, and in exploring the possible need for an international cocoa and other agreements.

ACTIVITIES UNDER PUBLIC LAW 480 AND RELATED PROGRAMS

This statement describes the activities and shows the progress for the following:

- I. Sale of commodities for foreign currencies under Title I of Public Law 480 (Agricultural Trade Development and Assistance Act).
- II. Grants of commodities to friendly peoples for famine relief and other assistance under Title II of Public Law 480.
- III. Sale of commodities on long-term dollar credit basis under Title IV of Public Law 480.
- IV. Sale of commodities for foreign currencies under Section 402 of the Mutual Security Act.

Uses by agencies of the Department of Agriculture of foreign currencies derived from sales under Title I are discussed elsewhere in these Explanatory Notes, as follows:

- a. Market development projects under Section 104(a) are included in the justifications of the Foreign Agricultural Service.
- b. Marketing and utilization research abroad under Section 104(a) and agricultural forestry, and marketing research under Section 104(k) are discussed in the justifications of the Agricultural Research Service.

I. Sale of Commodities for Foreign Currencies under Title I of Public Law 480

1. Authority: Title I of the Agricultural Trade Development and Assistance Act, Public Law 480, as amended, authorizes the President until December 31, 1964, to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. In negotiating such agreements the President is required, among other things, to take reasonable precautions to safeguard usual marketings of the United States and to assure that sales for foreign currencies will not unduly disrupt world prices or normal patterns of commercial trade with friendly countries, to take appropriate steps to assure the use of private trade channels, and to give special consideration to the development and expansion of demand abroad for agricultural commodities. The legislation authorizes the Secretary of Agriculture to determine the nations with whom agreements shall be negotiated and to determine the commodities and quantities which may be included in such negotiations and agreements. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from Title I sales for various purposes set forth in Section 104 of P. L. 480, as amended.

2. Total Program Agreements: Since the inception of the program through December 31, 1961, a total of 274 agreements, or supplements to agreements, were entered into with 42 friendly governments. Their total value based on costs to the Commodity Credit Corporation is estimated at \$10,021 million with an export market value of 6,740.6 million, both exclusive of ocean transportation costs of 851.7 million to be financed by CCC. CCC is reimbursed for its costs by appropriations and P.L. 480 provides a cumulative dollar limit of \$11.25 billion to reimburse CCC for Title I transactions through December 31, 1961 and an additional \$4.5 billion through December 31, 1964. The commodity composition of the agreements signed July 1, 1954, through December 31, 1961, at export market value and CCC cost, is summarized in the following tabulation.

Commodity	Unit	Approximate quantity	Export market value	Estimated CCC cost
Wheat and wheat flour.....	Bu.....	1/2, 322,770,000	3,816.1	6,329.6
Feed grains.....	do..	2/ 354,199,000	415.6	527.3
Rice.....	Cwt....	71,668,000	409.1	676.7
Cotton.....	Bale..	3/ 6,301,500	926.3	1,273.0
Cotton linters.....	do..	7,000	.3	.3
Meat products.....	Lb....	113,193,000	38.1	38.1
Tobacco.....	do..	332,732,000	241.4	241.4
Dairy products.....	do..	362,916,000	59.6	93.5
Fats and oils.....	do..	5,851,125,000	806.7	813.7
Poultry.....	do..	18,390,000	5.6	5.6
Dry edible beans.....	Cwt....	488,000	3.9	3.9
Fruits and vegetables.....	Lb....	188,689,000	17.5	17.5
Seeds.....	Cwt....	10,000	.4	.4
Total commodities.....			6,740.6	10,021.0
Ocean transportation to be financed by CCC.....			851.7	851.7
Total, including ocean transportation.....			7,592.3	10,872.7

3. Shipments: About \$5,012 million worth or approximately 75% of these Title I commodities at export market value had been shipped as of December 31, 1961. About \$934 million of this amount represented shipments during the fiscal year 1961, and about \$448 million during the first six months of the fiscal year 1962. Shipments for the 1961 fiscal year were up about 13% from the level reached in the fiscal year 1960.

The value of Title I shipments represented about 19% of the total value of U.S. agricultural exports during the fiscal year 1961. In terms of quantities, Title I wheat exports comprised over 50% of total wheat exports during the fiscal year 1961; rice 55%; and cottonseed oil and soybean oil 49%.

4. Progress During 1961 Fiscal Year in Negotiating Agreements.

Public Law 480 plays a major role in moving surplus agricultural commodities into export markets. The main emphasis has been to utilize Title I as a residual program after other export programs have been maximized in terms of sales for dollars and under barter. From July 1, 1960 through June 30, 1961 there were 50 agreements signed totaling \$1.5 billion market value which represents the highest level of programming since Title I, P.L. 480 was enacted. This quantity includes the balance of the 4-year multiyear agreement signed with India in May of 1960. During the same period export sales for dollars reached a level of \$3.4 billion which equaled the record established in 1951-52.

- a. Spain. Since 1955 there have been fairly large Title I agreements with Spain each year which included substantial quantities of cotton and soybean oil and growing quantities of feed grains. Tobacco was included in several agreements with a usual marketing requirement and in recent years wheat has been a major item due to poor Spanish wheat crops. Gradually a market demand was developed for soybean oil so that when the programming of soybean oil under Title I was discontinued in 1960, Spain continued to buy for dollars about the same quantity as had been moving under Title I and Section 402. Spain is currently procuring wheat for dollars and is expected to request only a portion of its wheat requirement under Title I. The tobacco market has shifted to a cigarette market and in addition to quantities of tobacco (content of cigarettes) financed under Title I, Spain has begun to import cigarettes on a cash dollar basis to meet increasing demand. The Title I programs in Spain have resulted in developing substantial dollar markets for agricultural commodities. During 1960-61 about \$70 million of agricultural commodities were purchased for dollars. Two years earlier almost the entire imports of agricultural commodities into Spain have been financed under Title I and U.S. assistance programs.
- b. Israel. Israel continues as the highest per capita importer of U. S. agricultural commodities under Title I. On May 10, 1961 a program was signed for \$25.9 million (including ocean transportation) worth of wheat, feed grains, vegetable oils, rice, nonfat dry milk and tobacco. Approximately \$2.6 million worth of Israel pounds accruing from this sale are designated for U. S. uses, including agricultural market development. A smaller part of Israel's agricultural commodity imports were programmed under Title I, Fiscal Year 1961, when compared with previous years since Fiscal Year 1957. Of interest is the smaller amount of feed grains under Title I and the sharp increase in dollar sales. During Fiscal Year 1961 approximately 150,000 MT of feed grains were programmed compared to approximately 320,000 MT during the preceding year, while Israel's cash imports (almost entirely from the U.S.) more than doubled. Israel has become a large dollar market for soybeans. Total cash dollar imports of agricultural commodities from the U. S. during the past year have been approximately equal to the amount taken under P. L. 480.

- c. Greece. In the case of Greece, the Title I, PL 480 program provided an excellent market development tool. The Greeks need a hard quality wheat to blend with their domestic soft wheat for specialty baking purposes. The Title I program provided the opportunity for Greece to procure with its own currency the type of wheat needed. As a result, a demand has been created in Greece for U. S. hard red winter wheat which we hope will become entirely a dollar market.
 - d. Burma. Although wheat had not been included in a Title I Sales Agreement with Burma, general PL 480 activities there did lead to the first U. S. commercial sale of wheat for dollars to Burma. It was a small trial sale of 600 metric tons of wheat, but it served its purpose of showing both Burma and the United States that we can compete commercially for the wheat market in Southeast Asia. Raw cotton sales to Burma and neighboring countries under the third-country processing arrangement have been very effective in keeping cotton textile sales of communist China to a minimum. Proof of this shows in the increases of communist China textile sales to these countries during periods when such an agreement is not in effect.
5. Program Results: Table I shows the commodity composition of the agreements entered into from the inception of the program through December 31, 1961, in terms of dollar amounts, and Table II, the approximate quantities.
6. Amendments to Title I: Public Law 87-128 (Agricultural Act of 1961) amends Public Law 480 with the following principal provisions:
- (1) Extends Title I for three years to December 31, 1964;
 - (2) Provides Title I authority for the three years of \$4.5 billion with a maximum of \$2.5 billion during one calendar year. New language of Section 103(b) does not provide for carryover of unused funds;
 - (3) Adds a new subsection (f) to Section 101 which provides that, in negotiating Title I agreements, rates of exchanges applicable to the sale of commodities shall be obtained which are not less favorable than the rates at which U.S. Government agencies can buy currencies from the U.S. disbursing officers in the respective countries;
 - (4) Amends Section 104 to make the principal and interest from loan repayments available for the purposes specified in Section 104;
 - (5) Changes the language of subsection 104(a) giving USDA greater authority to use foreign currencies for agricultural market development and requires convertibility of not less than 2 percent of the proceeds from sale and loan agreements for this purpose;
 - (6) Adds a new currency use 104(s) authorizing sales of currencies for dollars to American tourists;

- (7) Amends Section 106 to require that eligible commodities must be surplus "at the time of exportation or donation";
- (8) Section 104 of Public Law 480 was amended to eliminate certain language in the last proviso of the Section which had the effect of requiring an appropriation before foreign currencies made available for country use pursuant to subsections (e) and (g) could be used for health and educational projects.

II. Grants of Commodities to Friendly Peoples for Famine Relief and Other Assistance Under Title II of Public Law 480

- 1. Legislative Authority: The Department cooperates with the Agency for International Development (formerly ICA) in the review and clearance of all proposals for use of commodities pursuant to Title II of Public Law 480. Under this title the President is authorized to furnish, out of Commodity Credit Corporation stocks and on a grant basis, surplus agricultural commodities to friendly governments or peoples, to assist in meeting famine, or other urgent or extraordinary relief requirements, or to assist programs undertaken with friendly governments or through voluntary relief agencies. Programs of assistance are authorized over a 10-½ year period ending December 31, 1964, with a total authorization of \$2.3 billion to cover the CCC cost of commodities and for other costs including ocean transportation for these commodities and those donated under Title III of the Act. Reasonable precautions must be taken to assure that these transfers will not displace or interfere with sales that might otherwise be made. CCC is reimbursed for its costs by appropriations.
- 2. Shipments Authorized: Through December 31, 1961, shipments authorized approximated \$1,044 million, including \$639 million in bread and coarse grains, \$33 million in fats and oils, \$19 million in raw cotton, \$76 million in milk and milk products, and \$4 million in dry beans. Ocean transportation costs of \$219 million are included, of which about two-thirds are for ocean freight on Title III donations.

Transfer authorizations issued under Title II from July 1, 1954, through December 31, 1961, are shown in Table III.

- 3. Program Highlights: During the fiscal year 1961, transfers of about \$322 million were authorized, compared to an annual average of about \$100 million during the preceding six years of the program. Owing primarily to widespread drought in some parts of Africa and the Near East, disaster relief programs totaled \$105 million compared to \$37 million in fiscal year 1960. Economic development programs undertaken for the first time during the fiscal year 1961 totaled \$147 million. Other programs totaling \$69 million included child feeding, refugee relief, and contributions to voluntary agencies.

TABLE I.—Commodity composition of programs under Title I, Public Law 480 agreements signed July 1, 1954 through December 31, 1961.

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total			
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Market value	Ocean transporta- tion	Market value including O.T.	Estimated CCC cost including O.T.
Argentina.....	..	..	..	..	..	..	29.6	..	29.9	.8	30.7	35.9
Austria.....	6.9	15.7	..	9.5	4.8	..	2.4	.2	39.5	3.3	42.8	60.1
Bolivia.....	3.0	..	..	..	..	..	..	..	3.3	.4	3.7	5.6
Brazil.....	245.3	.6	..	..	..	1.9	4.1	..	282.6	32.5	285.1	452.7
Burma.....	..	..	..	33.1	2.7	2.1	..	.1	38.0	1.5	39.5	53.5
Ceylon.....	10.1	..	11.7	..	..	..	..	..	21.8	3.2	25.0	35.4
Chile.....	29.5	1.4	..	14.1	1.9	..	18.5	.4	65.8	5.9	71.7	96.4
China (Taiwan).....	52.2	.2	..	18.3	9.4	1.6	4.9	..	86.6	8.0	94.6	131.3
Colombia.....	36.4	2.8	..	11.9	1.6	.3	9.4	..	62.4	6.9	69.3	94.9
Congo.....	1.5	..	2.0	..	..	2.3	..	.3	6.8	.7	7.5	10.0
Ecuador.....	2.9	..	..	1.1	1.8	..	5.1	..	10.9	.8	11.7	14.1
Finland.....	10.5	2.3	..	12.0	14.3	..	..	2.7	41.8	2.1	43.9	57.4
France.....	..	..	..	23.0	12.6	..	..	..	35.6	.1	35.7	47.2
Germany.....	..	..	..	..	..	..	..	1.2	1.2	..	1.2	1.2
Greece.....	31.1	31.9	..	..	..	4.4	19.9	..	87.3	10.2	97.5	128.5
Iceland.....	3.1	2.9	..	..	2.2	..	5	1.4	11.2	.8	12.0	14.5
India.....	1,630.6	28.7	165.3	157.3	8.4	3.5	1.0	..	1,994.8	348.9	2,343.7	3,684.7
Indonesia.....	14.6	..	82.4	58.1	17.4	..	..	..	172.5	15.6	188.1	286.4
Iran.....	25.9	..	..	..	..	.8	1.4	..	28.1	6.4	34.5	54.0
Israel.....	57.9	62.5	2.0	5.6	1.2	16.9	18.3	10.7	175.1	19.5	194.6	288.0
Italy.....	1.5	4.8	..	77.0	20.4	..	36.4	3/	140.1	4.6	144.7	184.3
Japan.....	47.9	13.3	13.7	52.5	7.6	..	..	..	135.0	13.5	148.5	201.6
Korea.....	74.2	33.7	24.2	47.2	6.6	.3	1.3	8.0	195.5	19.8	215.3	280.6
Mexico.....	..	24.6	..	..	..	..	..	..	24.6	1.0	25.6	41.2
Netherlands.....	..	..	..	.2	..	..	..	..	..	4/	..	..
Pakistan.....	571.9	23.6	78.5	50.9	17.8	7.6	175.9	.4	926.6	139.4	1,066.0	1,466.6
Paraguay.....	7.1	..	..	..	..	.4	..	..	8.0	1.8	9.8	14.8
Peru.....	22.6	..	6.6	..	..	.2	1.8	3/	31.2	2.0	33.8	52.6
Philippines.....	..	..	5.8	25.8	..	1.7	.4	3/	33.7	2.6	35.7	47.3
Poland.....	180.1	65.5	..	94.1	1.5	3.3	33.9	..	378.4	31.4	409.8	567.7
Portugal.....	6.3	..	..	..	..	..	..	..	6.3	..	6.3	13.3
Spain.....	18.8	40.7	..	119.6	24.9	1.5	247.2	19.1	471.8	26.6	498.4	962.6
Sudan.....	3.8	..	1.5	..	..	..	..	..	3.8	.8	4.6	6.8
Syrian Arab Republic.....	6.3	..	..	..	..	..	..	..	7.8	1.0	8.8	13.5
Thailand.....	..	..	..	..	3.9	.2	..	..	4.1	..	4.3	..
Tunisia.....	11.0	2.4	..	..	..	..	..	..	13.4	1.9	15.3	22.8
Turkey.....	164.5	19.6	3.5	..	..	2.2	98.2	6.6	294.6	34.1	328.7	456.0
UAR (Egypt).....	206.6	23.8	5.3	..	22.0	..	21.6	1.0	280.3	32.2	312.5	442.9
UAR (Syria).....	20.4	4.6	..	..	..	..	..	..	25.0	4.0	29.0	42.0
United Kingdom.....	..	..	..	..	38.0	..	..	10.1	48.1	.4	48.5	48.5
Uruguay.....	14.0	10.0	..	11.7	6.1	..	..	..	41.8	4.2	46.0	61.1
Viet-Nam.....	7.0	..	5.8	11.3	12.9	7.9	..	..	44.9	4.2	49.1	62.9
Yugoslavia.....	290.6	..	..	91.4	..	.5	74.4	3.3	460.2	57.5	517.7	746.9
Total.....	3,816.1	6/ 415.6	409.1	926.6	241.4	7/ 59.6	8/ 806.7	2/ 65.5	6,740.6	851.7	7,592.3	10,872.7

FOOTNOTES.--TABLE I.

- 1/ Includes only ocean transportation to be financed by CCC.
 2/ Includes \$16.0 million extra-long staple.
 3/ \$50,000 or less.
 4/ \$4.4 million of wheat sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.
 5/ Includes \$0.3 million, cotton lintners; \$6.6 million, extra-long staple.

6/	Corn	Mil. Dol.	209.2	9/	Fruit		Mil. Dol.
	Oats		5.3		Austria, Burma, Finland, Iceland, Israel,		
	Barley		140.8		United Kingdom, Yugoslavia		16.1
	Grain sorghums		54.4				
	Rye		5.9		Seeds		
	Total		415.6		Chile		.4
7/	Condensed milk	Mil. Dol.	9.5		Potatoes		
	Dry whole milk		3.2		Spain		1.4
	Nonfat dry milk		18.4		Poultry		
	Evaporated milk		4.4		Germany, Italy, Turkey, Spain, UAR, Congo,		5.6
	Butter, butter oil and/or ghee		18.8		Pakistan		
	Cheese		4.6		Beef		
	Whey		.1		Spain, Israel		28.1
	Dried eggs		.6				
	Total		59.6		Pork		
8/	Cottonseed oil and/or	Mil. Dol.			Korea, Spain		10.0
	soybean oil		736.0		Beans		
	Linseed oil		1.1		Israel, Spain, Yugoslavia		3.9
	Lard		25.6		Total		65.5
	Tallow and/or grease		44.0				
	Total		806.7				

TABLE II.--Approximate quantities of commodities under Title I, Public Law 480 agreements signed July 1, 1954 through December 31, 1961.

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Poultry	Dry edible beans	Fruits and vegetables	Meat	Hay and pasture seeds
	1,000 bushels	1,000 bushels	1,000 cwt.	1,000 bales	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 cwt.	1,000 pounds	1,000 pounds	1,000 cwt.
Argentina.....	--	--	60	--	--	--	208,716	--	--	--	--	--
Austria.....	4,055	11,605	--	63.7	7,425	--	19,449	--	--	1,999	--	--
Bolivia.....	2,105	--	66	--	--	--	--	--	--	--	--	--
Brazil.....	145,755	369	--	--	312	3,533	23,715	--	--	--	--	--
Burma.....	--	--	--	217.8	3,698	11,893	98	--	--	808	--	--
Ceylon.....	7,176	--	1,985	--	--	--	--	--	--	--	--	--
Chile.....	18,004	1,168	--	93.3	2,047	--	117,829	--	--	--	--	--
China (Taiwan).....	36,453	197	--	139.0	11,103	5,143	45,919	--	--	--	--	10
Colombia.....	21,451	2,166	--	71.5	1,610	1,878	67,850	--	--	--	--	--
Congo.....	1,027	--	331	--	1,323	11,023	--	1,323	--	--	--	--
Ecuador.....	1,577	--	--	3.0	2,055	--	34,007	--	--	--	--	--
Finland.....	5,881	1,458	--	74.3	25,699	--	--	--	--	19,305	--	--
France.....	--	--	--	163.1	19,268	--	--	--	--	--	--	--
Germany.....	--	--	--	--	--	--	--	4,542	--	--	--	--
Greece.....	19,186	26,942	--	--	--	36,691	128,222	--	--	--	--	--
Iceland.....	1,791	1,953	29	5.5	2,300	--	3,362	--	--	12,456	--	--
India.....	994,449	23,761	30,833	1,149.7	8,621	45,730	8,052	--	--	--	--	--
Indonesia.....	9,022	--	14,696	433.1	27,891	--	--	--	--	--	--	--
Iran.....	14,583	--	--	--	--	1,630	10,533	--	--	--	--	--
Israel.....	34,383	55,463	387	33.8	1,631	90,632	134,335	--	83	709	24,758	--
Italy.....	896	3,703	--	508.8	25,848	--	253,891	30	--	--	--	--
Japan.....	30,979	11,094	2,142	319.3	9,791	--	--	--	--	--	--	--
Korea.....	44,479	31,763	3,030	351.5	8,486	1,210	8,780	--	--	--	15,041	--
Mexico.....	--	18,995	--	--	--	--	--	--	--	--	--	--
Netherlands.....	--	--	--	1.8	--	--	--	--	--	--	--	--
Pakistan.....	346,088	19,684	13,157	263.6	18,888	37,045	1,275,050	1,102	--	--	--	--
Paraguay.....	3,941	--	--	--	--	917	3,521	--	--	--	--	--
Peru.....	13,003	--	1,137	--	--	773	16,334	--	--	--	--	--
Philippines.....	--	--	928	179.3	--	15,424	4,663	--	2	--	--	--
Poland.....	109,983	58,332	--	650.3	2,000	38,488	294,551	--	--	--	--	--
Portugal.....	3,879	--	--	--	--	--	--	--	--	--	--	--
Spain.....	2/ 11,305	34,668	--	3/ 760.1	33,030	7,123	1,773,136	1,631	181	50,822	58,787	--
Sudan.....	2,388	--	--	--	--	--	--	--	--	--	--	--
Syrian Arab Republic.....	3,674	--	272	--	--	--	--	--	--	--	--	--
Thailand.....	--	--	--	--	5,439	818	--	--	--	--	--	--
Tunisia.....	6,430	2,516	--	--	--	--	--	--	--	--	--	--
Turkey.....	97,474	16,937	608	--	--	8,596	655,604	6,833	--	--	14,607	--
UAR (Egypt).....	133,416	19,024	905	--	34,002	553	192,205	2,929	--	--	--	--
UAR (Syria).....	13,197	3,938	--	--	--	--	--	--	--	--	--	--
United Kingdom.....	--	--	--	--	52,905	--	--	--	--	88,944	--	--
Uruguay.....	8,287	8,463	--	84.7	6,477	--	--	--	--	--	--	--
Viet-Nam.....	4,859	--	1,102	85.2	20,883	38,375	--	--	--	--	--	--
Yugoslavia.....	171,594	--	--	658.1	--	5,441	571,301	--	222	14,346	--	--
Total	2,322,770	4/ 354,199	71,668	6,310.5	332,732	5/ 362,916	3,851,125	18,390	488	7/ 188,689	8/ 113,193	10

FOOTNOTES.--TABLE II.

- 1/ Includes 51,700 bales extra-long staple.
 2/ Includes 2,598,000 bushels of wheat sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.
 3/ Includes 7,000 bales cotton lintners and 21,100 bales extra-long staple.

	Thou. Bu.		Thou. Lb.
4/ Corn	163,435	6/ Cottonseed oil and/or	5,140,067
Oats	6,807	soybean oil	7,492
Barley	127,802	Linseed oil	180,077
Grain sorghums	51,418	Lard	523,489
Rye	4,737	Tallow and/or grease	
Total	354,199	Total	5,851,125

7/ All fruit except Spain which is potatoes.

	Thou. Lb.		Thou. Lb.
5/ Condensed milk	46,344	8/ Israel, frozen beef	24,758
Dry whole milk	6,823	Korea, canned pork	15,041
Nonfat dry milk	214,910	Spain, canned hams	2,403
Evaporated milk	31,653	fat backs	2,547
Butter, butter oil and/or ghee	41,874	frozen beef and variety meats	53,837
Cheese	18,870	Turkey, frozen beef	14,607
Whey	2,001		
Dried eggs	441		
Total	362,916	Total	113,193

TABLE III.--Transfer authorizations issued under Title II, Public Law 480, July 1, 1954 through December 31, 1961

Area and country	Ocean		Commodities		Fats and oils		Coarse grains		Bread grains		Dry beans		Milk and milk products		Rice		Raw cotton	
	Transportation		Total		Thousand dollars		Thousand dollars		Thousand dollars		Thousand dollars		Thousand dollars		Thousand dollars		Thousand dollars	
	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars	Thousand Dollars
Europe (total).....	186,946	4,820	182,126	80,629	36,182	14,818	1,592	39,734	730	8,441								
Austria.....	29,288	2,642	26,646	149	26,486													
Czechoslovakia.....	1,995		1,995		1,995													
Germany, Federal Republic.....	3,365		3,365	236	686	911												
Germany, Soviet Occupied.....	758		758	236	380	81												
Hungary.....	13,210	562	12,648	4,043	1,907	2,088	437	3,759	414									
Italy.....	87,444	1,486	85,958	30,597	4,728	10,306	1,155	35,496										
Spain.....	3,761		3,761															
Yugoslavia.....	47,125	130	46,995	45,378		1,432		101	84									
Africa (total).....	257,126	25,646	231,480	168,489	48,532	945	259	5,674	7,581									
Congo.....	9,940	1,434	8,506	4,520	461													
Dahomey.....	860	130	730	140	127													
Ethiopia.....	10,622	1,989	8,633	3,907	4,726													
Ghana.....	605		605		605													
Guinea.....	1,740	163	1,577	346														
Kenya.....	6,730	870	5,860		4,500	650		710										
Libya.....	28,727	2,726	26,001	17,715	8,286													
Malagasy Republic.....	29	3	26															
Morocco.....	75,729	7,150	68,579	55,247	12,000	295	74	155	808									
Somalia.....	761	156	605		605													
Sudan.....	10	1	9															
Tanganyika.....	11,715	1,520	10,195		9,200													
Tunisia.....	109,268	9,439	99,829	86,614	7,697													
Uganda.....	390	65	325		325													
Near East & South Asia (total).....	293,396	31,239	262,157	177,161	41,435	9,691		6,146	23,250	4,474								
Afghanistan.....	41,756		34,854															
Ceylon.....	9,289	1,123	8,166	4,821														
Cyprus.....	8,341	1,000	7,341	6,440	901													
Greece.....	3,698	370	3,328	3,328														
India.....	7,699	678	7,021	1,017														
Iran.....	12,764	2,146	10,618	6,038	4,580													
Jordan.....	35,091	4,176	30,915	25,753	5,162													
Lebanon.....	16,795	1,282	15,513	14,750	763													
Nepal.....	3,689	374	3,315	3,250	61													
Pakistan.....	48,614	897	47,717	22,160														
Syria.....	27,888	5,050	22,838	18,370	4,468													
Turkey.....	12,180		12,180	4,730														
United Arab Republic-Egypt.....	25,500		25,500		25,500													
UNRWA (Palestine refugees).....	30,776	5,476	25,300	24,100														
Yemen.....	9,316	1,765	7,551	7,550														
Far East & Pacific (total).....	89,280	5,025	84,255	53,526	5,105	395		8,136	13,792	3,301								
Cambodia.....	2,343		2,343															
China, Republic of.....	8,800	913	7,887	5,622														
Hong Kong.....	1,230		1,230															
Japan.....	36,992	35	36,957	28,946														
Korea.....	28,413	2,754	25,659	18,232	4,499													
Laos.....	839		839															
Ryukyu Islands.....	8,290	922	7,368		606													
Viet-Nam.....	2,373	227	2,146	726														

--Continued--

TABLE III--Transfer authorizations issued under Title II, Public Law 480, July 1, 1954 through December 31, 1961

Area and country	Commodities													
	Total	Ocean transportation		Total commodities	Bread grains	Coarse grains	Fats and oils	Dry beans	Milk and milk products		Rice	Raw cotton		
		Thousand dollars	Thousand dollars						Thousand dollars	Thousand dollars				
Latin America (total)	39,301	1,589	37,712	15,451	10,035	1,542	1,377	1,939	4,840	2,528				
Bolivia	17,428	246	17,182	10,102	--	1,137	--	391	3,024	2,538				
British Honduras	273	--	273	22	25	105	46	44	30	--				
Costa Rica	212	--	212	--	37	68	51	--	56	--				
Guatemala	3,238	--	3,238	--	3,238	--	--	--	--	--				
Haiti	3,476	67	3,409	207	133	180	1,210	43	1,636	--				
Honduras	211	--	211	--	59	--	70	--	82	--				
Mexico	216	--	216	--	216	--	--	--	--	--				
Peru	14,227	1,273	12,954	5,118	6,327	51	--	1,458	--	--				
Uruguay	20	3	17	2	--	--	--	3	12	--				
Christmas Holiday	16,688	--	16,688	2,306	--	5,973	1,005	4,206	3,198	--				
American Voluntary Relief Agencies & International Organizations (total)	10,100	--	10,100	--	--	--	--	10,100	--	--				
Total	2/ 892,837	2/ 68,319	824,518	497,562	141,289	33,364	4,233	75,935	53,391	18,744				
Ocean freight:														
Title III foreign donations	150,723	150,723	--											
Grand total	2/ 043,560	2/ 219,042	824,518											

1/ Including transportation to point of entry for Afghanistan.

2/ Excludes approximately \$22 million ocean freight for fiscal years 1955 and 1956 financed under the Mutual Security Act.

Disaster Relief: Programs undertaken during January - June 1961 indicate the scope of this legislation. About \$95.5 million worth of flour, corn meal, rice, dry beans, and nonfat dry milk were made available to the United Nations for free distribution to the needy and for sale through normal commercial channels in the Congo. The proceeds of the sales were used to finance the cost of emergency public works projects to relieve serious work unemployment.

Shipment of up to 100,000 metric tons of barley was authorized to Morocco and 30,000 tons of corn and grain sorghums to Tunisia to meet emergency livestock feeding requirements due to wide-spread drought in these countries. To meet the threat of shortages of food and feed in Libya, due to drought, a grant of up to 22,000 tons of wheat and barley was authorized. Drought and locust damage in Ethiopia seriously reduced crops. About 10,000 tons of grain sorghums was made available for free distribution to the needy in one area. Additional amounts of grain sorghums were supplied to finance part of the cost of development projects, utilizing employed or unemployed labor. In another area about 10,000 tons of wheat and milo were supplied to provide 45 days free rations for about 440,000 needy people.

About \$7.7 million worth of wheat flour was added to the drought relief program for the Syrian Region of the United Arab Republic. Two relief programs totaling \$1.4 million were authorized for Yemen.

Refugees: Shipments of over \$4.2 million worth of surplus foods, including wheat and wheat flour, nonfat dry milk, dry beans, edible oil, and rice were authorized in order to meet the food requirements of destitute Algerian refugees in Tunisia and Morocco. More than 170,000 refugees are clustered along the border of Algeria and Tunisia and about 120,000 have fled to Morocco. The refugees are predominantly women, children, and elderly men who are almost completely dependent upon charitable distribution for the necessities of life.

Economic Development: About 133,000 tons of wheat, valued at \$29.1 million will be supplied to Tunisia to continue the successful labor-intensive development program through the fiscal year 1962. About 167,000 workers who would otherwise be unemployed are participating in the development program and a substantial part of their wages is paid in semolina, obtained locally in exchange for U.S. wheat. A similar development program is getting under way in Morocco using about 200,000 tons of wheat. Work under way in constructing roads, sewers, water systems, wells, small dams, and irrigation ditches will require about 3.5 million man-days of labor.

Economic development in Ethiopia will be supplied with about 12,000 tons of grain sorghums to assist with the employment of a labor force of 300,000.

About 8,200 tons of wheat furnished to Iran is assisting in agricultural development work including construction of village access and feeder roads, forest access roads, small irrigation installations and improvements, flood protection structures, perennial weed control and construction of community buildings. A grant of wheat, barley and raw cotton valued at \$23.6 million was made to Korea to assist with various public works projects. A grant of 5,000 tons of wheat was made to Afghanistan to meet requirements for continuing expanded economic development projects already underway.

4. Amendments to Title II: Public Law 86-472 (Mutual Security Act of 1960) approved May 14, 1960, amended Title II to permit the utilization of surplus agricultural commodities to promote economic development in addition to that which can be accomplished under Title I of Public Law 480. The commodities donated would be used as part payment of wages to people working on labor intensive development projects such as land clearing, construction of water spreading dams, irrigation and drainage ditches, and road building. The commodities contributed by the United States would be supplemented with cash wages furnished by the recipient country. Public Law 86-472 also authorizes payment of transportation on Title II and Title III donations to designated points of entry abroad, in the case of landlocked countries, out of Title II funds.

Public Law 87-128 (Agricultural Act of 1961) approved August 8, 1961 extends Title II for 3 years to December 31, 1964 and provides an authorization of \$300 million plus carryover each calendar year. New language puts authorization on a program commitment basis, beginning with calendar year 1961, instead of a funds-expended basis.

III. Sale of Commodities on Long-term Dollar Credit Basis under Title IV of Public Law 480

1. Authority: Title IV was added to Public Law 480 by Public Law 86-341, approved September 21, 1959. It authorizes the President to enter into agreements with friendly nations to undertake to supply U.S. surplus agricultural commodities for periods of up to ten years, as available, with payment in dollars with interest to be made in approximately equal annual amounts over periods of up to twenty years. The principal objective of the program is to provide commodities to newly developing countries for consumption during periods of economic development. In the case of more highly developed countries, however, Title IV may be used to maintain or increase dollar sales through the provision of credit.
2. Program Progress: The Department of Agriculture, in cooperation with other U.S. agencies, is implementing this authority. Three Title IV agreements have been signed: A one-year agreement with El Salvador, August 21, 1961, for \$2 million worth of wheat and wheat flour; a five-year agreement with Venezuela, November 11, 1961, for \$25 million worth of grain and grain products, dry edible beans, dairy products, cottonseed and soybean oil, fruits, vegetables and livestock products; and a one-year agreement with Portugal, November 28, 1961, for \$13.2 million worth of wheat and/or wheat flour and barley. A number of additional country programs, including multi-year agreements, are in process of negotiation or development. Care is taken to assure that Title IV agreements will not displace U.S. cash dollar sales or disrupt normal patterns of commercial trade among friendly countries. The funds and assets of the Corporation may be used for this purpose. Appropriations are authorized to reimburse the Corporation for its costs.

IV. Sale of Commodities for Foreign Currencies
Under Section 402 of the Mutual Security Act of 1960

Section 402 of the Mutual Security Act authorizes the Agency for International Development (formerly ICA) to finance sales for foreign currencies or to make grants of surplus agricultural commodities or products thereof produced in the United States. In close cooperation with the Agency for International Development (AID), transactions are initiated or promoted by the Department in the sale of surplus agricultural commodities under Section 402. The Mutual Security Act of 1960, Public Law 86-472, approved May 14, 1960, provides that a minimum of \$175 million of the funds available under the Act during the fiscal year 1961 shall be used to finance sales for foreign currencies or grants of surplus agricultural commodities. AID approved procurement authorizations totaling approximately \$177.9 million worth of agricultural commodities in the fiscal year 1961 compared with \$177.2 million in 1960, as indicated in the following table. Section 402 is not applicable after the 1961 fiscal year.

<u>Commodity</u>	<u>Export Market</u> <u>Value Authorized</u> <u>Fiscal Year</u>	
	<u>1960</u>	<u>1961</u>
	<u>(Millions)</u>	
Bread grains.....	\$16.6	\$57.3
Coarse grains.....	27.5	13.6
Cotton.....	61.6	27.2
Fats and oils.....	29.7	36.8
Dairy products.....	9.3	13.9
Other, including ocean transportation.....	<u>32.5</u>	<u>29.1</u>
Total.....	\$177.2	\$177.9

(b) Salaries and Expenses (Special Foreign Currency Program)

Appropriation Act, 1962	\$3,444,000
Transfers in 1963 estimates to "Salaries and Expenses, Foreign Agricultural Service" for:	
Market development projects in non-excess currency countries .	-588,000
Base for 1963	2,856,000
Budget Estimate, 1963	4,000,000
Increase	<u>+1,144,000</u>

NOTE: The Budget Estimate for 1963 reflects an increase of \$1,144,000 above the appropriation for 1962 on a comparable basis. The following explanation is presented on a funds available basis, and the amount for 1962 reflects carryover from prior years. The amount of carryover from 1962 which would be available in 1963 cannot be estimated at this time.

SUMMARY OF INCREASES AND DECREASES, 1963
(On basis of available funds)

Decrease for market development projects in excess currency countries under section 104(a) of Public Law 480	-705,481
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PROJECT STATEMENT
(On basis of available funds)

Project	: 1961	: 1962 :(estimated)	: Increase or Decrease	: 1963 :(estimated)
Market development projects (sec. 104(a))	:\$1,841,368	:\$4,705,481	:-\$705,481(1)	:\$4,000,000
Total obligations or estimate a/	: 1,841,368	: 4,705,481	: -705,481	: 4,000,000
Unobligated balance brought forward	:-3,508,927	:-4,815,710	:	:
Unobligated balance carried forward	: 4,815,710	: - -	:	:
Transfers in 1963 estimate to "Salaries and expenses, Foreign Agricultural Service"	:10,421,692	: 3,554,229	:	:
Transfer in 1962 estimate to "Special foreign currency program, President's special international program, Executive"	: 1,046,588	: - -	:	:
Unobligated balance lapsing ..	: 4,569	: - -	:	:
Total appropriation	:14,621,000	: 3,444,000	:	:

a/ Applied costs comparable to total obligations are \$1,317,000 in 1961, \$2,788,000 in 1962 and \$4,274,000 in 1963. The differences are due to an excess of foreign currency contracts made over work completed in each year.

DECREASE

(1) A decrease in obligations of foreign currency under Section 104(a) of \$705,481 in the activity "Market Development Projects".

Dollar funds provided by this appropriation are available only for the purchase of foreign currencies in nine designated countries where the Treasury has determined that available balances are in excess of normal United States requirements. Since most of the market development projects are necessarily conducted in other countries where balances of local currencies available to the Treasury are not sufficient to meet normal U. S. requirements, it became necessary in the fiscal year 1962 to shift the financing of some of the market development projects under section 104(a) of P. L. 480 to the regular "Salaries and expenses" appropriation. The decrease of \$705,481 projected in the fiscal year 1963 results primarily from the lesser level of market development projects in the nine "excess" currency countries of Burma, India, Indonesia, Israel, Pakistan, Poland, UAR-Egypt, UAR-Syria, and Yugoslavia.

For a discussion of market development projects (including those in "excess" currency countries financed from this appropriation) by types of commodities and functions, see the justification under "Salaries and expenses", and also the following "Status of Program."

STATUS OF PROGRAM

Foreign currencies generated by the sale of surplus agricultural commodities under Title I of Public Law 480, are used by the Foreign Agricultural Service for market development purposes under the provisions of Section 104(a) of Public Law 480. Regular dollar appropriations are also used for market development projects in countries where the Treasury has determined that foreign currencies are not available.

In addition to use of foreign currencies by the Foreign Agricultural Service for foreign market development projects under Section 104(a), the Agricultural Research Service carries on a program of utilization, forestry, and marketing research abroad under this section.

Following is an explanation of the legislative authority, the objective to be accomplished, the types of projects, the amounts of foreign currencies obligated, authorized and requested for market development projects, and the plan of work and accomplishments under each of the different commodities.

1. Legislative Authority: Title I of Public Law 480 authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

Section 104(a) provides the legislative authority for export market development in other countries on a mutually benefiting basis. Public Law 86-341 provides that not less than the equivalent of 5 percent of total sales proceeds and loan repayments from sales agreements made after September 21, 1959 shall be made available in advance for activities under Section 104(a). Public Law 87-128 provides that not less than 2 percent of the proceeds of sale and loan agreements shall be convertible.

Regular dollar appropriations as are necessary are authorized under Sections 601 and 607(b) of Public Law 690, 83rd Congress, approved August 28, 1954.

2. Objective: The objective of market development projects is to maintain and expand existing foreign markets or to develop entirely new foreign markets for United States agricultural commodities. To the extent practicable, the Foreign Agricultural Service enters into agreements with trade groups, both U.S. and foreign, for the operation of these projects. However, this will be done only if the trade group will make a significant financial contribution. If a trade group is unable or unwilling to undertake a needed project, it may be carried out directly by the Foreign Agricultural Service.

In cooperative projects the Department furnishes foreign currencies, limited amounts of U.S. dollars, and over-all guidance, including assistance by the Agricultural Attache Service abroad. The cooperator carries out the work, either directly or in cooperation with foreign groups. In all projects, however, U. S. trade and agricultural groups cooperate directly or indirectly, to the maximum extent possible.

3. Types of Projects: A wide variety of market development projects is underway or planned with emphasis on the following:

- a. Market Surveys--This type of project is used to determine potential demand for specific agricultural commodities and how this demand may be developed and supplied.
- b. Nutrition Education--This activity is designed to improve the health and welfare of people abroad and at the same time expand the market for agricultural commodities that can be supplied by the United States.
- c. Two-way Visits--Visits of foreigners to the United States and visits of United States citizens to foreign countries improve trade relations. The exchange of ideas and information in this manner is expected to result in greater consumption of United States agricultural commodities.
- d. Promotion and Advertising--United States promotional, advertising, and sales techniques are being used abroad with appropriate variations to meet local conditions.
- e. Demonstrations--This market development technique is used to demonstrate types, varieties, grades, and classes of United States agricultural commodities available for export.
- f. Trade Fairs and Exhibits--Market development projects are also conducted through participation in international trade and food fairs. The United States participates in two kinds of fairs: the principal type of exhibit is that related to food fairs, which is devoted exclusively to food and feed items; another type in which participation is less frequent, is food and food displays, the large industrial type fairs. Exhibits are planned by this Department where the greatest number of potential buyers of agricultural products are expected to congregate.
- g. Comprehensive Economic Studies and Research--While cooperator projects including trade fairs have been emphasized, this type of activity has also been undertaken which has increased activities in the non-cooperator area. Comprehensive economic research studies for selected countries are being contracted for by the Foreign Agricultural Service through the Economic Research Service to guide long-range market development efforts abroad.

4. Accomplishments Under Market Development: Following are explanations of the commodities involved, international trade fairs, and other projects and activities to be carried out under market development projects for which funds are requested in the fiscal year 1963.

- a. Cotton Promotion--Cotton market development project agreements in cooperation with the Cotton Council International have been approved for 20 countries. The first of these programs began in France, Japan and Germany early in 1956. Beginning with 1957, programs were initiated in most of the other Western European countries.

Since that time additional programs have been started in Canada, the Scandinavian countries, Greece, India, Portugal, and in Mexico and Colombia. The cotton textile industries in each cooperating country are sharing the cost of the program on an equal basis from their own resources, and these foreign cooperating industries represent well over three-fourths of the export market for United States cotton.

The Cotton Council International has responsibility for the development, planning and direction of the programs. This function is carried out through a project agreement for supervision and program development covering 34 countries. Funds available under the agreement provide for paying administrative costs in foreign countries, including office expenses, employment of foreign national personnel, travel expenses, personnel training costs, printing and distributing materials, as well as the production of motion pictures and visual aids. Costs of supervisory personnel, technical program specialists, administrative overhead, program materials, and other expenses payable in dollars are contributed by the Cotton Council International.

A distinction is made in the type of program conducted in cotton consuming and exporting countries. In the importing countries, which account for the bulk of the program, the objective is to expand consumption of cotton products to build a larger market in which U.S. cotton may be sold. In the case of exporting countries the purpose is to aid and encourage the cotton industries to conduct market studies for use in developing and carrying out their own domestic production programs, and to ultimately join with other cotton exporting nations in an international program to expand cotton consumption.

This year, the FAS third party cooperator for cotton market development, the Swedish Cotton Institute, successfully promoted winter weight cotton apparel from Gothenberg to the Arctic Circle. New weaves, colors, and textures were created by Swedish mills. The effort has been so successful that modified "winter cotton" programs are to be conducted in Finland, the United Kingdom, and other European countries.

The projects in all of the importing countries provide for an intensive effort to promote greater cotton consumption through a program of market study, sales promotion and publicity. Market study provides information on trends in demand for textile products, distribution and sales practices, consumer preferences, competition with products made from other fibers; it forms the basis for effective sales promotion and public relations efforts to expand cotton textile consumption. The sales promotion program is conducted in cooperation with cotton products manufacturers, wholesale distributors, fashion designers, and retail stores to adopt and use a wide variety of activities such as cotton week, white sales, individual advertising, fashion shows, and special product sales campaigns involving women's and children's apparel, men's wear, work clothes, household textiles, etc. Sales training programs are provided for retail store personnel.

The public relations and informational programs are designed to provide a steady flow of materials to the public on the value and use of cotton textile products through newspapers, magazines, radio and television, high fashion events, motion pictures and visual materials. The cooperating industry organizations through the provision of periodic press sheets to newspapers, picture mat services, feature article materials, radio scripts, motion pictures and special events have been very successful in telling the public the advantages of cotton products.

The maintenance and expansion of cotton consumption requires continuing effort to achieve lasting results. Outstanding progress has been made. In the first 12 countries where programs have been operating for several years, the trend in per capita consumption is upward. The tremendous volume of sales effort and publicity has greatly improved cotton's competitive position with manmade fiber products and has made the consuming public in those countries cotton conscious. The level of retail sales, general consumer interests and the experience of retail stores all attest to the fact that the cotton promotion programs are making a good impact on maintaining and expanding cotton consumption in the important export markets for U.S. cotton.

- b. Dairy and Poultry Promotion--Projects for the promotion of either poultry or dairy products or both are underway or planned in 38 countries.

Poultry and Poultry Products. Poultry promotion is carried out through the use of techniques aimed mainly at the consumer as follows: market study on utilization and consumer preference; event promotions such as Easter, Poultry Day or Poultry Month; use demonstrations and consumer education; sales training at wholesale and retail levels; and participation in trade fairs. The actual sale of cooked poultry parts at trade fairs has been proven to be an effective means of establishing and stimulating expanded consumer demand. In addition, advertising is carried out in newspaper, trade journals and through promotional leaflets.

In addition to improved trade relations and trade contacts, specific project results have been achieved. Poultry promotion has assisted in increasing U. S. exports to West Germany, the Netherlands and Switzerland. U. S. poultry exports to West Germany increased from 500 pounds in 1955 to over 86 million pounds in 1960. Comparative poultry exports for the Netherlands and Switzerland increased from 6 and 500 thousand pounds to 12 and 25 million pounds, respectively.

Dairy Products. Projects to increase milk consumption usually center around recombining operations, including trade fair demonstrations. Techniques used are aimed at consumers and include: sample distribution of recombined milk and dairy products utilizing U.S. nonfat dry milk and anhydrous milk fat; nutritional education; and advertising through press, radio, posters, brochures and leaflets. A project is also underway to find new ways of utilizing milk products in combination with local foodstuffs which are in abundant and inexpensive supply.

Dairy displays, including sample U.S. dairy products, have been included at trade fairs in Europe, Asia, the Far East, and Latin America attended by more than 10 million people.

Dairy Cattle. In cooperation with the Purebred Dairy Cattle Association, the American Guernsey Cattle Club, the Brown Swiss Cattle Breeders' Association, and the Holstein-Friesian Association of America, promotion has been carried out by supplying U.S. specialists to other countries to judge dairy cattle exhibited in shows, explain U.S. breed characteristics and advantages, assist in applying herd improvement methods, and to establish sales contacts.

With increased emphasis on dairy cattle promotion in Latin America, U.S. exports to this area are growing; they showed an increase from 6,549 head in calendar year 1959 to 11,164 head in 1960 and stood at an all-time high.

- c. Fats and Oils Promotion--Promotional activities for soybeans and soybean products, in cooperation with the American Soybean Association and the Soybean Council of America, include marketing assistance and intensive promotional campaigns.

Marketing assistance facilitates U.S. exports through assistance to foreign importers, processors, and wholesale and retail trade on technical and marketing problems. Such assistance includes information and training on quality determination, quality control, storing, trading, processing, and similar aids. Exchanges of trade personnel have also helped in this area.

While marketing assistance is provided to all areas, intensive promotional activities are limited to principal markets. Emphasis has been placed upon increasing both industrial and consumer uses through the following techniques: consumer education, particularly nutritional; advertising campaigns; product samples and introduction; and advertising through press, magazines, radio, television, and visual aids. Educational film has been prepared as a project activity for use as a promotional aid.

U.S. exports of soybeans and soybean products showed a spectacular rise in recent years, having more than tripled since 1954-55. This sharp increase in exports can be attributed to several factors, including extensive and intensive market development activities. U.S. soybean oil exports have met with increased consumer acceptance abroad due to a considerable degree to the technical assistance provided by U.S. industry and Government programs. With improvement in the standard of living of many Asian and other countries, further potential for increase in U.S. exports of soybean and vegetable oils will exist and which should respond to promotion.

After two years of intensive preliminary work on the part of U.S. industry under the market development project with FAS, a firm has recently introduced a pasta containing soybean protein. This is being actively promoted in the consumer market. It is an example of the rapid increase in use of soybean meal to improve nutritional levels for the average man in foreign countries.

- d. Fruit Promotion--FAS is cooperating with many segments of the fruit industry in market development activities and projects. Projects have been undertaken or scheduled in 15 countries to date.

These industry groups have included the California Prune Advisory Board, the California Raisin Advisory Board, the Florida Citrus Commission, the Northwest Horticultural Council, the California Grape and Tree Fruit League, the Industry Committee on Citrus Additives, and other institutions and groups representing the fruit exporting industries.

Market surveys and promotional advertising have been undertaken in Europe, especially in West Germany, by principal U. S. fruit exporting industries in cooperation with the Department of Agriculture. In addition, since European food health regulations exert a significant influence on U.S. fruit exports, projects dealing with such problems as residues of food additives and pesticides on imported fruit have been undertaken in the European market.

As an aid to assist U.S. exporters, the Department and the fruit trade have prepared and distributed promotional material abroad. Most recently, over 15,000 copies of a leaflet printed in seven languages describing types, quality, and uses of U.S. fruit juice were distributed to foreign bottlers and juice distributors.

Standardization and inspection specialists of the Agricultural Marketing Service recently carried out an evaluation of the comparative arrival quality and condition of fresh and processed fruits in the United Kingdom under a market development project. Fruits from the United States and from principal competing areas of the world were graded and compared on comparable points. The studies will enable U. S. exporters both to evaluate their own fruit arrivals and to gain better knowledge of the nature of the competition they face.

Activities carried out have assisted in maintaining the U. S. position in the European fruit markets, our most important export market excepting Canada, accounting for exports of over \$100 million per year.

As economic conditions improve in Western Europe and as quantitative restrictions to trade are removed, opportunities to sell U.S. fruit and fruit products in these markets will increase. U.S. fruit exporters have shown increasing interest in market development programs both to expand existing markets and to develop new markets in Western European countries.

- e. Vegetable Promotion. A potential market is believed to exist for fresh celery in Northern European markets during the late winter and spring months. The Foreign Agricultural Service has been cooperating with the Florida Fruit and Vegetable Association and celery producers during recent years to initiate activities to test and develop this market. It has been necessary to acquaint consumers in these markets with green- or pascal-type celery

which differs from the white or bleached celery that Europeans have been accustomed to. Also, it was necessary to obtain a reduced ocean freight rate more nearly in line with the value of the product. Progress was made toward solving these problems for the United Kingdom market, and fresh celery moved satisfactorily to this market in commercial volume in the spring of 1961. In November, Florida celery was exhibited at the Hamburg trade fair, and inquiries were received from German importers for commercial samples and instructions on how to handle the product.

- f. Grain and Feed Promotion-- Projects have been undertaken or are planned in over 52 countries to promote the consumption of U.S. wheat and wheat products, feed grains, seeds, rice, and dry beans and peas and to expand existing and new markets for these commodities.

Wheat and Wheat Products. Market development activities for wheat and wheat products have been and are being carried out in cooperation with (1) Great Plains Wheat Market Development Association, Inc., (2) Western Wheat Associates, U.S.A., Inc., and (3) the Millers' National Federation. These cooperators have established several foreign offices and staffed them with competent technicians and supervisory personnel to implement and supervise projects. These offices service the grain trade, millers, bakers, and other users and purchasers of wheat and flour products. Examples of specific projects include exchanges of trade and industry personnel; activities such as: (1) bakers training; (2) preparation, translation, printing and distribution of promotional material including films; (3) educational and demonstrational programs; (4) assistance with school lunch programs; (5) advertising; and (6) exhibits at fairs designed to stimulate and increase the consumption of wheat products. Foreign buyers have been assisted in formulating specifications for wheat supplement the Official U.S. Grain Standards and Grades and increase the assurance that the characteristics of the deliveries will meet the purchasers technological requirements.

Notwithstanding the facts that new nations have joined the list of exporters under the International Wheat Agreement, that the USSR has exported wheat at prices below those quoted by IWA member nations, that domestic production has increased in many countries, U.S. exports increased from 510 million bushels in fiscal 1960 to about 662 million bushels in 1961.

Market development is a definite factor in that expansion. For example, work with the Italian pasta industry is now resulting in the purchase of sizeable quantities of U.S. Hard Red Winter wheat. Work with Japanese millers has increased the demand by that country for Hard Red Winter wheat for bread making. As a result of the visit of United Kingdom millers to the U.S., significant strides have been made toward regaining our position as a supplier of quality wheat in that market. Italy, Portugal, and Spain purchased their major commercial imports from the U.S. in 1960-61 due largely to market development efforts in those countries.

A 3-year agreement between the Belgium Bakery and Confectionery Federation and Great Plains Wheat, Inc., an FAS Cooperator, was signed in 1961 to promote the sale of bread made from U.S. wheat. As a result, a new type of loaf is being marketed in Belgium, giving consumers a better loaf for their money and U.S. wheat growers a promising new market.

The new loaf, called "Daily Bread", is made by a patented recipe which calls for 55 percent U.S. hard wheat and 45 percent domestic wheat. It is increasing rapidly in popularity with more and more bakers joining in the program. To get Government permission to use more than 30 percent imported wheat, the baking industry had to agree to either use or sell whatever quantity of domestic wheat was displaced by more imported hard wheat.

The U.S. wheat growers, in turn, bound themselves to supply only wheat whose strength had been proven satisfactory by means of the new sedimentation test.

Until this agreement was reached, very little U.S. wheat was being imported into Belgium. The program is being carefully studied as a pattern for other cash markets where quality of product can be similarly improved with U.S. wheat.

An intensive promotional effort to introduce high quality U.S. Hard Red Winter wheat to the milling and baking industry of Japan was successful in 1961, an agreement between officials of the two countries being signed in Tokyo in late February.

The basis for the Japanese Wheat Market development was a thorough technical study of wheat utilization by FAS at the invitation of the Japanese Government. Recommendations based on this study included the importation of commercial scale trial shipments for thorough milling and baking tests. The successful culmination of these tests was the agreement between the two countries in which the price of the needed quality of Hard Red Winter was decided. The result is a large new potential market for U.S. hard wheat, expected to reach 500,000 metric tons in 1962.

Feed Grains. Considerable time and a great deal of effort by farm, industry and government leaders has been spent to promote the formulation of an industry-wide organization which could take leadership in market development for feed grains.

Until recently, projects were carried out in cooperation with the Grain Sorghum Producers Association of Amarillo, Texas. Efforts to date have been devoted largely to Western Europe, although studies of market potentials have also been made in Latin America.

An industry-wide organization, incorporating the Grain Sorghum Producers Association, has now been formed. This organization, known as the U. S. Feed Grains Council, includes all phases of the feed grain industry from producer to exporter and is geared for a vastly expanded market development program for U.S. feed grains, which at the present time holds the number two spot behind wheat in the area of troublesome surplus agricultural commodities.

Examples of achievements to date include a tremendous increase in the consumption of feed grains in Italy and Greece brought about largely through feeding demonstrations, exchanges of technicians and information, and other assistance with the expansion of their livestock and poultry industries. Greece is now importing sizeable quantities of feed grains from the U.S. and there are indications that Italy will shortly liberalize its trade policy to the benefit of U.S. exports of feed grains. A sponsored visit to the U.S. of a team of grain merchandisers, feed manufacturers, and poultry producers from the U.K. has been effective in expanding our market there for corn and grain sorghums.

Japan has embarked on an extensive program to expand its livestock and poultry industries and has requested technical assistance with this mutually beneficial program. Promotional work is now getting underway in Japan following up on earlier personnel exchanges.

Rice. Foreign marketing studies relating to rice have been undertaken in cooperation with the U.S. Rice Export Development Association. A global sample collection of rice varieties and qualities moving in international trade has been conducted in order to relate the market demand for particular types with the kinds of rice available from the United States.

A promotional project is now underway in Western Europe, in an effort to restore per capita consumption to prewar levels. Specific activities include demonstrations on the economy and versatility of rice in mass feeding establishments such as factories and schools; exhibits and demonstrations at trade fairs and other appropriate gatherings and a program of direct consumer advertising. The recent trend in exports of U.S. rice to the United Kingdom offers strong encouragement in this type of activity.

Dry Beans and Peas. While not in chronic surplus, these commodities present surplus problems from time to time. Overseas promotion has been limited to (1) surveys and studies to keep abreast of market demands and consumer trends; (2) exhibitions at trade fairs; and (3) efforts to resolve problems of international trade. Past programs have helped to keep exports up and thus avoid surplus stockpiling. Future activities will be similar to those previously undertaken.

Seeds. Exports of U.S. grass and legume seeds were at the record high of 62 million pounds for the crop year 1960-61. Market development work to date has been carried out with the Pacific Seed Export Market Institute and the Oregon Seed Council. It is expected that these two cooperators will shortly integrate their market development activities with the American Seed Trade Association and that a somewhat broader program will be implemented.

Activities carried out up to the present time have included exchanges of technicians, studies to determine solutions to problems relating to the utilization of various varieties of seeds grown specifically for export, and furnishing of samples for experimental seed trials. As a result of a German Seed Team visit to the U.S., the Germans recognized the high quality of alfalfa grown in California, and California growers are now producing German varieties of alfalfa specifically for the German market.

- g. Livestock and Meat Promotion--Promotional activities have been undertaken or are planned in 29 countries to date for tallow, lard, breeding livestock, and hides and skins.

Tallow. Tallow promotion, in cooperation with the National Renderers' Association, has been concentrated in Japan, one of our most important tallow markets. Continuing project activities include: market studies and analyses; exchanges of trade personnel; and the promotion of increased soap consumption. Promotion devices used include contests, posters, and advertising through radio, TV, newspapers, magazines, film slides, and advertising bus. In addition, a film has been made for showing in major export markets as a promotional aid.

These activities have resulted in an improvement in the quality of tallow exports to Japan, which eliminates claims against U.S. tallow shipments. This program, through a closer working relationship with Japanese officials, was instrumental in tallow being placed on the automatic approval list, thus improving U.S. competitive position with New Zealand and Australia. Improvements in U.S. quality and competitive position have been reflected in substantial quantity increases of U.S. tallow exports to Japan.

Tallow exports to Japan are expected to reach 400 million pounds for 1961. Expansion of tallow exports to Japan show:

<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>Jan.-Sept. 1960</u>	<u>Jan.-Sept. 1961</u>
1,000	1,000	1,000	1,000	1,000
pounds	pounds	pounds	pounds	pounds
217,152	263,852	378,747	276,243	299,370

The soap promotion project in Japan has now been phased out as the Japanese trade has not only taken over the promotion and advertising of soap but have expanded several fold on the program developed under the market development project. This example is perhaps a perfect conclusion to the market development effort of product promotion.

Lard. In cooperation with the American Meat Institute, marketing surveys and other promotional activities for lard have been undertaken. Main promotional activities were undertaken in West Germany to increase lard consumption, particularly of U.S. high quality lard. Emphasis was placed upon "brand lard" from the U.S. under an intensive advertising campaign for a short period aimed at the consumer.

Although this educational program was effective in improving the "quality consciousness" of the German consumer, it met with very limited success since U.S. lard was not readily available during the campaign due to unforeseen shipping and distribution problems.

Livestock Breeding Stock. Livestock specialists are being sent abroad under a cooperative program with various U.S. livestock breed associations to promote the sale of U.S. breeding stock. Foreign currencies are used to pay transportation costs for specialists provided by the cooperating groups in the United States.

The cooperating groups abroad provide local transportation and other project costs. Livestock specialists judge shows abroad, explain U.S. breed characteristics and advantages, and provide the point of contact for export sales of U.S. breeding stock. Another phase of our livestock market development program consists of providing assistance to livestock purchase missions from foreign countries.

Specific project results from this type of activity include removal of import bans, reduction in import duties, and substantial decreases in prior deposit requirements for breeding livestock by Colombia. Accomplishments include: the sale of 380 head of breeding cattle valued at more than \$300,000 to Peru; sales of 1,256 head of sheep to Colombia and Ecuador; sales of 100 head of breeding swine to Chile; and sales of 100 head of sheep to Peru.

Hides and Skins. Efforts to promote exports of hides and skins, in cooperation with the American National Cattlemen's Association, the National Hide Association, the National Independent Meat Packers' Association, and the Western States Meat Packers' Association, have thus far been devoted primarily to market studies and the development of trade contracts.

The adoption of recommendations to purchase U.S. hides on a selected basis results in substantial improvement of U.S. export practices. Continued discussions with Japanese officials also resulted in hides and skins being placed on the automatic approval list, thus improving the U.S. position in relation to our competitors--New Zealand and Australia. These studies also indicated that U.S. exports of hides and skins to Japan (our leading export market) might be doubled in a 10-year period by effective promotional efforts.

The market development project in Japan to further expand consumption of leather products has been extended two years. Leather goods consumption by the Japanese continues to record amazing increases. U.S. exports of hides and skins to Japan were 2,836,000 pieces in calendar year 1960 as compared to 1,356,000 in calendar year 1959. For the 9 months, January-September 1961, exports were 2,789,000 pieces equivalent to 50 percent increase of the same period of 1960.

- h. Tobacco Promotion--Cooperative projects have been entered into with the Burley and Dark Leaf Export Association, the Leaf Tobacco Exporters' Association, and Tobacco Associates for work in 18 countries. Two types of project activities are carried out--marketing studies and surveys, and intensive promotional campaigns.

Marketing studies and surveys serve two purposes: (1) to ascertain promotional possibilities, and (2) to provide needed trade information such as consumer preference, market information, and trade organization and structure and preference. Exchanges of trade personnel and information have been included in these project activities. Particular success has derived from exchange of trade personnel. Increased foreign sales have occurred in nearly every case.

Promotional efforts presently concentrated in 5 countries offering best opportunities; France, Japan, Thailand, Burma and Egypt (UAR). For each country, U. S. cooperators work with the tobacco monopoly or trade groups concerned in carrying out intensive promotional campaigns using the following techniques: "brand" promotion of cigarettes containing U. S. leaf; the improvement of tobacco handling, blending, and processing to produce a better cigarette and exchanges of trade personnel and information. "Brand" promotion is carried out through contests; advertising, by radio, news media, trade journals, and posters; and other direct consumer appeals.

Specific results to which promotional activities have contributed include: an increase in cigarette sales of 37 percent for "Royale" and 21 percent for "Gitanes" in 1960 in France, cigarettes containing 65 percent and 10 percent U. S. leaf respectively; and an increase from 5 million pounds in 1955 to 12.4 million pounds in U. S. tobacco exports to Japan.

- i. International Trade Fairs and Related Activities--Under international trade fair activities, FAS organizes and manages exhibits abroad designed to promote the development of markets for U. S. agricultural commodities. U. S. trade, agricultural and industry groups participate by supplying exhibit ideas and materials and technical personnel to man exhibits and carry out other market development promotional activities. Through taking part in 100 international exhibits since the inception of the program in 1955, through fiscal year 1961 and extending to November of FY 1962, FAS-sponsored trade fairs and demonstrations have made promotional contacts at fairs with attendance of approximately 42 million visitors in 22 countries.

Trade fair exhibits promote commodities through displays and demonstrations and serve as an operational base from which participating U. S. trade groups may undertake additional promotional or sales activities.

Samples of U. S. farm products are distributed as a feature of these exhibits. The exhibits thus give many people abroad their first opportunity to see and taste American food products.

The success of the introduction of instant nonfat dry milk into the dairy exhibit at trade fairs in 1960 led to this product being featured in seven fairs in 1961. In all but two instances it has not only been exhibited and demonstrated but actually sold to fair visitors. In the two where it was not sold, it was only because such sales were not permitted at the fair exhibit. The sales item has been the 3.2 oz. envelope that reconstitutes to one quart of liquid product. A total of 89,296 of these envelopes have been sold to fair visitors. At three of the fairs the visitors' demand far exceeded the available sales supply.

During this period international trade fairs and related activities were held as follows:

International Trade Fair Exhibits

<u>Country</u>	<u>Period</u>	<u>Commodities Featured</u>
London, England	9/1-17/1960	Wheat and wheat products, honey, rice, poultry, frozen and non-frozen packaged food, fruit and fruit products, meat products.
Salonika, Greece <u>1/</u>	9/4-25/1960	U. S. Feed Exhibit.
Zagreb, Yugoslavia <u>1/</u>	9/10-25/1960	Cotton Exhibit.
Munich, Germany	9/23-10/2/60	Wheat and wheat products, honey, rice, poultry, fruit, frozen and packaged foods.
Paris, France	5/18-29/1961	Citrus fruits, dried fruits, meat, rice, frozen poultry products, instant milk and frozen and other "convenience" processed foods.
Poznan, Poland <u>1/</u>	6/11-25/1961	Wheat, tobacco, soybeans.
Stockholm, Sweden	8/30-9/10/61	Canned pre-cooked poultry, rice, and citrus juices.
Manchester, England	9/12-23/1961	" " " "
Lima, Peru <u>1/</u>	10/12-29/1961	Wheat, soybeans and non-edible tallow.
Copenhagen, Denmark	10/13-22/1961	Canned pre-cooked poultry, rice and citrus juices.
Stuttgart, Germany	10/27-11/5/61	" " " "

Agricultural Fair Exhibits

Santander, Spain	7/4-10/1960	Mobile Exhibit - Feed grains and soybean oil meal.
Gijon, Spain	7/16-19/1960	" " " "
Lugo, Spain	7/26-30/1960	" " " "
Orense, Spain	8/6-10/1960	" " " "
Pontevedra, Spain	8/17-20/1960	" " " "
Santiago de Compostella, Spain	8/27-30/1960	" " " "
LaCoruna, Spain	9/6-10/1960	" " " "
Merida, Spain	9/17-21/1960	" " " "
Sevilla, Spain	9/27-10/2/60	" " " "
Madrid, Spain	10/9-15/1960	" " " "
Zaragoza, Spain	10/21-26/1960	" " " "
Valencia, Spain	11/3-8/1960	" " " "
Reus, Spain	11/15-20/1960	" " " "

<u>Country</u>	<u>Period</u>	<u>Commodities Featured</u>
Seo de Urgel, Spain	11/24-27/1960	Mobile Exhibit - Feed grains and soybean oil meal.
Huesca, Spain	12/2-5/1960	" " "
Balaguer, Spain	12/9-13/1960	" " "
Vich, Spain	12/18-22/1960	" " "
Berlin, Germany <u>2/</u> (Green Week)	1/27-2/5/1961	Cultural show including agricultural products.
Verona, Italy	3/12-21/1961	Feed grains, soybean oil meal, animal fats.
Cairo, Egypt <u>1/</u>	3/21-4/21/1961	Cultural show on agriculture.
Copenhagen, Denmark	6/22-25/1961	Mobile Exhibit - Feed grains and soybean oil meal.
Odense, Denmark	6/30-7/2/1961	" " "
Herning, Denmark	7/6-9/1961	" " "
Klagenfurt, Austria	8/10-20/1961	" " "
Ried, Austria	8/26-9/3/1961	" " "
St. Gallen, Switzerland	10/13-25/1961	" " "

Solo Exhibits

Colombo, Ceylon <u>1/</u>	1/21-2/19/1961	Wheat and wheat products.
Hamburg, Germany	11/10-19/1961	General foods and agricultural exhibit including wheat, poultry, dairy (including instant non-fat dry milk), fruit and fruit juice, soybeans, honey and rice products together with displays of frozen, canned and other "convenience" foods and displays of leather products of interest to consumers, & U.S. feed grain information office.

A new departure in the FAS exhibit program this year was the large "solo" exhibit in Hamburg, Germany, November 10-19, 1961, in which commercial exhibitors participated on a major scale for the first time on a paid-space basis. Of the 70,000 square feet involved in this big market-promotion effort for U.S. food products, more than 20,000 square feet was sold to commercial firms who erected and operated order-taking displays at their own expense. Capacity crowds attending the show numbered more than 160,000 and the 30 commercial firms participating reported immediate book orders totalling \$250,000 with follow-up sales yet to be reported.

Accra, Ghana <u>1/</u>	11/27-12/27/61	Poultry, rice, wheat and instant non-fat dry milk.
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Trade Center Exhibit

London, England	9/5-23/1961	Permanent agricultural trade promotion office opened in cooperation with the U.S. Department of Commerce in support of all U.S. agricultural commodities. An exhibit of U.S. processed food was held 9/5-23/61.
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Another new departure in FAS-sponsored promotional activities overseas was the opening of a permanent Trade Center in London in cooperation with the U.S. Department of Commerce. A food exhibit held in the trade center facilities, September 5-23, 1961, brought the participation of 116 private firms dealing in U.S. food products. More than 1500 registered buyers attended this trade show and engaged in talks and demonstrations by British representatives of American firms.

Surveys and Studies

Surveys of the movement of specified processed food products in the U.K., West Germany and Switzerland.

Swedish retail trade study.

Evaluation of the sales impact of the Stuttgart and Hamburg Food Fair Exhibits.

1/ In cooperation with Department of Commerce.

2/ In cooperation with USIA.

- j. Other Projects and Activities--FAS undertakes projects directly in cases where the work is considered desirable and where it is impracticable to operate the project on a cooperative basis through a non-governmental trade group. Whenever the work can be done more effectively or more economically, the projects are carried out through contracts with U.S. or foreign organizations. FAS projects for economic research are carried out through ERS. In cases where FAS operates a project directly, interested trade groups are consulted and informed of results.

Principal types of FAS projects which are being carried out include: marketing studies and analyses; personnel exchanges; long-range studies of supply and demand; studies on the effects of Title I, P.L. 480 programs; evaluations of Section 104(a) activities; and studies on consumer expenditures. The four latter categories account for most of the amount requested for these projects.

Long-range supply and demand studies are underway or planned for 21 countries to include consumer preference for food, fiber, and tobacco; food consumption patterns at different income levels; and long-term projections of supply and demand for agricultural commodities with particular emphasis on the types available for export from the U. S.

Studies of the economic effects of Title I studies undertaken in 5 countries are expected to gauge economic development effects as guides to market development. Evaluations of Section 104(a) projects for 3 countries have been completed and the results are being used to guide project planning. Surveys of consumer expenditures are being carried out in 3 countries and are expected to indicate shifts in consumption as a factor in food and import needs.

Work in these three categories is generally contracted out to qualified firms operating in the countries in which work is undertaken. Results of these studies are expected to assist in the development of foreign markets and to serve as the basis for planning future promotional work.

5. Financing: Funds obligated for market development projects by the Foreign Agricultural Service since the beginning of the program and dollar values contributed by the cooperators are summarized by fiscal year as follows:

<u>Fiscal Year</u>	<u>By USDA</u> (Thousands of Dollars)	<u>By Cooperators</u>	<u>Total</u>
1956	\$ 1,425	\$ 165	\$ 1,590
1957	5,167	2,287	7,454
1958	5,510	1,446	6,956
1959	4,305	1,688	5,993
1960	6,688	3,358	10,046
1961	12,263 <u>a/</u>	7,625	19,888
1962	(8,260 <u>a/</u> (8,263 <u>b/</u> (est.))	7,500(est.)	24,023(est.)
1963	(4,000 <u>a/</u> (13,782 <u>b/</u>	Not available	--

a/ Special Foreign Currency Appropriation.

b/ Salaries and Expenses Appropriation.

Dollar costs of the Foreign Agricultural Service in direct support of the market development program were \$296,000 in 1961, \$296,000 in 1962, and are estimated to amount to \$365,000 in 1963.

The following Table 1 shows actual obligations in dollar equivalents of foreign currencies by country from the beginning of the program through fiscal year 1961, under sections 104(a) (f) and (m) of Public Law 480. The estimated obligations for 1962 and 1963 are shown divided according to the Special Foreign Currency Appropriation and the Salaries and Expenses Appropriation. Table 2 shows obligation by commodity and miscellaneous projects and cooperators' contributions from the beginning of the program through June 30, 1961.

Table 1. Obligations under Section 104(a), (f) and (n) of Public Law 480 and Comparable Market Development Obligations to be Financed with Dollars.

Country	Actual	Estimated Obligations		Estimated Obligations	
	Obligations	FY 1962		FY 1963	
	from Begin-	Special	Salaries	Special	Salaries
	ning of Pro-	Foreign	and	Foreign	and
	gram thru	Currency	Expenses	Currency	Expenses
	FY 1961	Appropriation	Appropriation	Appropriation	Appropriation
	Dollar	tion	tion	tion	tion
	equivalent				
	of foreign				
	currency				
Afghanistan	\$ 7,875	--	--	--	--
Algeria	--	--	--	--	\$ 4,000
Angola	--	--	--	--	6,000
Argentina	216,712	\$ 66,526	\$ 5,000	--	10,000
Australia	5,168	497	50,000	--	90,000
Austria	858,010	141,838	15,000	--	184,000
Belgium	467,657	327	204,000	--	765,000
Brazil	928,339	90,119	324,000	--	199,000
British Guiana	--	--	--	--	2,000
Cameroon	--	--	--	--	2,000
Canada	--	--	100,000	--	9,000
Central African Rep.	--	--	--	--	4,000
Ceylon	102,738	3,069	56,000	--	34,000
Chad	--	--	--	--	2,000
Chile	392,319	78,387	90,000	--	107,000
Colombia	892,972	481,047	137,000	--	315,000
Congo Republic	--	--	--	--	7,000
Congo, Rep. of the	--	--	--	--	4,000
Costa Rica	5,000	165	16,000	--	37,000
Denmark	150,829	46,153	176,000	--	211,000
Ecuador	195,940	58,729	20,000	--	55,000
El Salvador	2,998	--	13,000	--	36,000
Ethiopia	--	--	--	--	6,000
Finland	388,514	12,588	90,000	--	136,000
France	3,799,902	465,925	284,000	--	513,000
French Guiana	--	--	--	--	2,000
Gambia	--	--	--	--	2,000
Germany	2,544,946	86,577	862,000	--	1,418,000
Ghana	8,999	24,773	10,000	--	60,000
Greece	1,238,380	142,821	530,000	--	115,000
Guatemala	51,285	9,638	13,000	--	55,000
Haiti	--	--	--	--	9,000
Honduras	2,998	--	12,000	--	33,000
Hong Kong	27,500	7,778	90,000	--	89,000
Iran	197,323	45	175,000	--	180,000
Ireland	4,958	--	20,000	--	20,000
Italy	3,223,041	371,894	577,000	--	1,268,000
Ivory Coast	--	--	--	--	10,000

Country	: Actual	: Estimated Obligations:	: Estimated Obligations		
	: Obligations :	: FY 1962 :	: FY 1963		
	: from Begin-	: Special :	: Special :		
	: ning of Pro-	: Foreign : Salaries : Foreign : Salaries	: Currency : and : Currency : and		
	: gram thru	: Currency :	: Expenses : Appropria-	: Expenses	: Appropria-
	: FY 1961	: Appropria-	: tion	: tion	: tion
	: Dollar	: tion	: Appropria-	: tion	: Appropria-
	: equivalent	: tion	: tion	: tion	: tion
	: of foreign	:	:	:	:
	: currency	:	:	:	:
Jamaica	\$ 60,055	\$ 4,612	--	--	--
Japan	5,481,570	190,148	\$939,000	--	\$2,141,000
Jordan	--	--	--	--	7,000
Kenya	--	--	10,000	--	22,000
Korea	130,653	14,954	10,000	--	30,000
Lebanon	--	--	20,000	--	13,000
Liberia	--	--	--	--	45,000
Libya	--	--	--	--	9,000
Luxembourg	--	--	--	--	3,000
Madagascar	--	--	--	--	2,000
Malaya	52,802	45,022	16,000	--	13,000
Mali Republic	--	--	--	--	2,000
Mexico	412,017	90,574	24,000	--	116,000
Morocco	--	--	--	--	7,000
Mozambique	--	--	--	--	4,000
Netherlands	1,111,366	4,616	627,000	--	1,272,000
New Zealand	--	--	--	--	3,000
Nicaragua	1,909	--	16,000	--	22,000
Nigeria	54,744	1,983	15,000	--	160,000
Norway	170,707	331	121,000	--	209,000
Panama	7,195	903	16,000	--	39,000
Peru	936,432	33,983	245,000	--	404,000
Philippines	483,937	39,674	74,000	--	198,000
Portugal	246,904	32,961	202,000	--	47,000
Rhodesia	--	--	10,000	--	9,000
Saudi Arabia	--	--	60,000	--	3,000
Senegal	--	--	--	--	5,000
Sierra Leone	--	--	--	--	12,000
Singapore	--	--	--	--	3,000
So. Africa, Rep. of	12,904	6,862	10,000	--	25,000
Spain	2,574,455	114,462	635,000	--	392,000
Sudan	9,890	--	--	--	25,000
Surinam	--	--	--	--	5,000
Sweden	295,695	21,358	150,000	--	200,000
Switzerland	871,583	249,378	210,000	--	645,000
Thailand	953,867	77,930	255,000	--	66,000
Tunisia	--	--	--	--	5,000
Turkey	382,832	283,940	--	--	142,000
United Kingdom	1,134,709	197,285	400,000	--	1,316,000
Upper Volta	--	--	--	--	2,000
Uruguay	14,735	66,925	70,000	--	28,000

Country	: Actual Obligations :		: Estimated Obligations :		: Estimated Obligations :	
	: FY 1962 :		: FY 1963 :		: FY 1963 :	
	: from Begin-	: Special	: Salaries	: Special	: Salaries	
	: ning of Pro-	: Foreign	: and	: Foreign	: and	
	: gram thru	: Currency	: Expenses	: Currency	: Expenses	
	: FY 1961	: Appropria-	: tion	: Appropria-	: tion	
	: Dollar	: tion	: Appropria-	: tion	: Appropria-	
	: equivalent	: tion	: tion	: tion	: tion	
	: of foreign	: :	: :	: :	: :	
	: currency	: :	: :	: :	: :	
Venezuela	\$ 30,729	\$ 3,391	\$ 240,000	--	\$ 113,000	
Viet Nam	--	--	--	--	6,000	
West Indies Fed. ..	--	--	--	--	13,000	
Sub-total	31,146,093	3,570,188	8,244,000	--	13,782,000	

Currencies determined to be excess to normal U.S. requirements in fiscal year 1963.

Burma	486,277	237,903	--	294,000	--
India	2,476,430	1,232,647	--	41,018,000	--
Indonesia	114,938	311,591	19,000	85,000	--
Israel	567,407	582,223	--	443,000	--
Pakistan	769,084	487,476	--	680,000	--
Poland	489,921	563,872	--	106,000	--
U.A.R. - Egypt	230,437	614,404	--	1,218,000	--
U.A.R. - Syria	--	50,000	--	49,000	--
Yugoslavia	804,288	384,762	--	107,000	--
Sub-total	5,938,782	4,464,878	19,000	4,000,000	--
Sub-total 104(a)	37,084,875	8,035,066	8,263,000	--	--
Undistributed	--	224,644	--	--	--
total 104(a)	37,084,875	8,259,710	8,263,000	4,000,000	13,782,000
total 104(f)	110,157	--	--	--	--
total 104(m)	1,825,222	--	--	--	--
Grand Total	39,020,254	8,259,710	8,263,000	4,000,000	13,782,000

SUMMARY:	Cumulative obliga- tions through 1961	Estimated obligations 1962	Estimated obligations 1963
104(a)			
Non-excess currency countries	--	8,263,000	13,782,000
Excess currency countries	--	8,259,710	4,000,000
total 104(a)	37,084,875	16,522,710	17,782,000
total 104(f)	110,157	--	--
total 104(m)	1,825,222	--	--
Grand Total	39,020,254	16,522,710	17,782,000

In accordance with the proposals in the 1963 budget, the amounts (with comparability adjustments for 1961 and 1962) would be distributed by appropriation as follows:

	Cumulative through <u>1961</u>	<u>1962</u>	<u>1963</u>
Regular Salaries and Expenses appropriation	\$31,146,093	\$ 8,244,000	\$13,782,000
Special Foreign Currency appropriation	5,938,782	8,278,710	4,000,000
Agricultural and Horti- cultural Exhibitions (to be financed after 1961 by appropriation to U.S. Information Agency)	1,825,222	--	--
Travel of U.S. Agricultural Specialists abroad	<u>110,157</u>	<u>--</u>	<u>--</u>
Grand Total	\$39,020,254	\$16,522,710	\$17,782,000

Table 2. Obligations by Commodities and Miscellaneous Projects
and Contributions by Cooperators from the Beginning of the
Market Development Program through June 30, 1961

(Stated in Approximate Dollar Equivalents)

(Rounded to dollars)

Commodity or Project	:	:	Contributions		:
	:	:			:
	:	:			:
	:	:			:
	FAS		Foreign		
	Obli-	U. S.	Cooperators:		Total
	gations	Cooperators:	or Other		
Cotton.....	\$ 8,910,129	\$ 844,270	\$ 7,028,663		\$16,783,062
Dairy and Poultry.....	3,237,674	866,170	15,375		4,119,219
Fats and Oils.....	3,772,676	1,425,955	680,520		5,879,151
Fruits and Vegetables..	693,063	600,617	--		1,293,680
Grain and Feed.....	6,301,903	1,718,757	351,544		8,372,204
Livestock and Meat	575,183	182,011	294,623		1,051,817
Tobacco	2,643,896	555,085	2,004,843		5,203,824
Trade Fairs.....	6,494,383	--	--		6,494,383
Other Projects and Surveys.....	1,573,254	--	--		1,573,254
Post Operating Expenses	2,882,714	--	--		2,882,714
Total 104(a)	37,084,875	6,192,865	10,375,568		53,653,308
Total 104(f)	110,157	--	--		110,157
Total 104(m)	1,825,222	--	--		1,825,222
Grand Total	39,020,254	6,192,865	10,375,568		55,588,687
Special Foreign Currency Program	6,206,494	--	--		6,206,494
Salaries and Expenses	30,878,381	--	--		30,878,381
Total 104(f)	110,157	--	--		110,157
Total 104(m)	1,825,222	--	--		1,825,222
Grand Total	39,020,254	--	--		39,020,254

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1961, were actually received or programmed for 1962 or 1963. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations, 1961	Estimated Obligations, 1962	Estimated Obligations, 1963
Allocations and Working Funds			
(Advances from other agencies):			
Department of Agriculture:			
Commodity Credit Corporation (Admin- istrative expenses):			
Barter and Stockpiling	\$70,770:	\$550,000:	\$550,000
General Sales Management	42,921:	485,000:	685,000
Total, Commodity Credit Corpora- tion	113,691:	1,035,000:	1,235,000
Agency for International Development:			
For technical assistance to friendly nations	56,240:	59,500:	59,500
For expenses incident to the Foreign Trainee Program	5,624,856:	5,743,000:	5,763,000
Total, Agency for International Development	5,681,096:	5,802,500:	5,822,500
Total, Allocations and Working Funds	5,794,787:	6,837,500:	7,057,500
Trust Funds:			
Miscellaneous Contributed Funds:			
Department of Agriculture - For conducting a training program for the European Productivity Agency ...	4,000:	- -	- -
Obligations under reimbursement from Government and Other Sources:			
Salaries and Expenses:			
Commodity Credit Corporation			
Representatives for sales, barter and stockpiling	51,843:	1,292:	1,457
Sale of personal property	5,050:	6,000:	- -
Services to other accounts	15,347:	15,944:	15,944
Total, reimbursements	72,240:	23,236:	17,401
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	5,871,027:	6,860,736:	7,074,901

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are: to prevent commodity price manipulation and market corners; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and manipulative practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic Act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839, approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958.

These functions carried out under the Act are performed through a Washington Office and five field offices, located in Chicago, Kansas City, Minneapolis, New Orleans, and New York. On November 30, 1961, the Commodity Exchange Authority had 125 full-time employees, 39 of whom were stationed in Washington, D. C. and 86 in the field offices.

	Appropriated, <u>1962</u>	Budget Estimate, <u>1963</u>
Appropriation	\$1,007,000	\$1,022,000

Salaries and Expenses

Appropriation Act, 1962 and base for 1963	\$1,007,000
Budget Estimate, 1963	1,022,000
Increase (for within-grade salary advancements)	<u>+15,000</u>

PROJECT STATEMENT

Project	1961	1962 :(estimated)	Increase	1963 :(estimated)
1. Licensing and auditing of brokerage houses	\$248,504	\$269,300	+\$3,700	\$273,000
2. Supervision of futures trading	523,404	519,700	+8,300	528,000
3. Investigations	209,171	218,000	+3,000	221,000
Subtotal a/	981,079	1,007,000	+15,000	1,022,000
Unobligated balance	8,921	- -	- -	- -
Total available or estimate	990,000	1,007,000	+15,000(1)	1,022,000

a/ Represents obligations. Applied costs for 1961 are \$982,427. The difference of \$1,348 represents primarily the excess of printed material used in 1961 over orders placed in that year.

INCREASE

(1) The increase of \$15,000 for 1963 is to provide funds for mandatory within-grade salary advancements.

The Commodity Exchange Authority is a small agency having an average of only 126 employees and a low rate of personnel turnover. Because of the low personnel turnover and the necessity for filling vacancies as they occur, the increase of \$15,000 for 1963 is required for mandatory within-grade salary advancements which cannot be met otherwise.

STATUS OF PROGRAM

Objective and Functions: The major objectives of the Commodity Exchange Authority, in the enforcement of the Commodity Exchange Act, are to maintain fair trading practices and competitive pricing in the commodity futures markets, by preventing price manipulation, fraud, fictitious trades, and other abusive transactions. Enforcement of the act, requiring supervision over 16 commodity exchanges designated as contract markets, is a continuous process involving the following functions:

1. Market designation, broker registration, and prevention of misuse of customers' funds: (a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; and (c) analysis of financial statements and periodic audit and examination of books and records of futures commission merchants to maintain segregation requirements for protection of customers' funds.
2. Supervision of futures trading: (a) Obtaining, auditing, and tabulating reports on trading operations from large traders, futures commission merchants, and exchange clearing members; (b) surveillance and analysis of the market operations of large traders, commodity brokers, and others, including marketwide surveys of all traders' positions in selected commodities; (c) establishment and enforcement of speculative limits applicable to the daily trading and positions of large speculators; (d) analysis and appraisal of futures-market situations and cash-commodity and futures-price developments that involve the proper functioning of the futures markets and compliance with the act; (e) preparation and publication of futures-market statistics and special reports on futures-market developments.
3. Investigation and prosecution of violations: (a) Investigation of price manipulation and other alleged or apparent violations; (b) compilation and analysis of evidence to support charges of violations and presentation of such evidence in administrative and judicial proceedings; (c) investigation of trade practices on exchanges; (d) continuing examination of exchange rules to determine compliance with the act.

Current Activities: In the fiscal year ended June 30, 1961, the regulatory workload of the Commodity Exchange Authority in the supervision of futures trading was substantially increased by the year's greatly expanded volume of trading in soybeans, corn, oats, wool, cottonseed oil, soybean oil, soybean meal, and a number of other commodities.

There was a sharp increase in the number and turnover of large traders from whom the agency must obtain daily reports and maintain daily surveillance of trading operations. The workload involved in the enforcement of statutory limits on trading and positions of large speculators also increased, and more work was required to keep check on the year's massive

hedging operations in grains and soybeans. Also more sizable and of greater importance during the year was the job of making frequent test checks on the ownership of large futures accounts, to disclose controlled and concerted trading, and to prevent evasion of reporting requirements and speculative limits.

The year's heavy trading caused market confusion in some commodities and sharp price fluctuations which required special probing and analysis of large-trader operations and price movements, and increased the agency's work with exchange control committees to maintain orderly trading and prevent market congestion. The unusual market activity and increased regulatory workload continued into the 1962 fiscal year.

The overall trading volume in regulated commodities in 1960-61 was 50% greater than in 1959-60. Trading in the grain futures markets, amounting to 18.5 billion bushels in 1960-61--largest since 1929-30--was stimulated by unprecedented activity in soybean futures at a time when the futures markets for wheat, corn, and oats were also very active. The trading volume also increased during the year in wool, eggs, flaxseed, lard, cottonseed oil, soybean oil, and soybean meal.

In the 17 commodities in which futures trading was supervised by the agency in 1960-61 the total trading volume was 11,454,000 transactions--against 7,462,000 in 1959-60--and was the largest number in the 23 years that the figures on total transactions in all regulated commodities have been compiled.

The total estimated value of regulated futures trading, reflecting changes in price level as well as in number of transactions, was nearly twice as large as in the previous year, amounting to an estimated \$52,300,000,000 in 1960-61 against \$26,500,000,000 in 1959-60.

In terms of open contracts, which indicate the utilization of futures for marketing purposes, the year's average levels increased in 11 of the 17 commodities, and in seven of these reached alltime highs at various times during the year--soybeans, corn, wool, eggs, potatoes, soybean oil, and soybean meal.

The grain exchanges with larger futures markets during 1960-61 were the Chicago Board of Trade, Minneapolis Grain Exchange, and the Kansas City Board of Trade. Other exchanges with markets of large or increased size were the Chicago Mercantile Exchange (eggs), the New York Mercantile Exchange (potatoes), the New York Produce Exchange (cottonseed oil), and the Wool Associates of the New York Cotton Exchange (wool). Trading on the New York and New Orleans cotton exchanges continued at low levels.

The increase in the overall workload of the agency during the year was reflected in compliance investigations, which increased to 54, compared with 31 in the previous year. Disciplinary proceedings resulted in sanctions being imposed for exceeding speculative position limits, violating reporting requirements, and for various trade practice violations. Sanctions ordered in an important price manipulation case were stayed pending the outcome of an appeal to the U.S. Court of Appeals in New Orleans.

Selected Examples of Recent Progress:

1. Maintaining regulation of heavily-increased trading. Only by strictly putting "first things first" has the agency been able, without substantially increased funds or personnel, to maintain effective regulation of the unprecedented trading in soybeans, and the larger futures markets which have developed in wheat, corn, oats, cottonseed oil, soybean oil, soybean meal, and other commodities.

The heavy pressure of buying and selling orders in the January-July 1961 period strained market machinery and nearly overwhelmed the staffs of some brokerage houses. Serious delays in brokerage recordkeeping, and impairment in the accuracy of broker-and-trader reporting under the Commodity Exchange Act greatly increased the effort required to keep promptly informed on large-traders' fast-moving operations and rapidly changing market composition.

To cover the almost daily recurring critical situations with the agency's available personnel, plans for marketwide surveys and scheduled audits of futures commission firms were moved forward, so that accountants could be reassigned to urgent work in the examination and investigation of trading operations and price fluctuations.

Notwithstanding the market confusion during this period, the Commodity Exchange Authority's Chicago and New York offices, by effective use of the multiple skills of their personnel and flexibility in work assignments, maintained daily auditing and scrutiny of the trading and positions of large traders, secured corrections of the greatly increased number of reporting errors, and kept unbroken contacts with the large traders, commodity firms, and brokerage houses which became most heavily involved.

Largely by shifting personnel as needed, the agency maintained without interruption the flow of broker-and-trader reports and the daily releases of market statistics which are vital for regulatory purposes and for public information on futures-market conditions. The agency also completed special surveillance and analysis assignments of the most critical of the market situations and price movements which developed. The increased work required in these and other regulatory procedures continued into the 1962 fiscal year.

2. Supervision of soybean futures. The increased demand for soybeans in the winter of 1960-61, which stimulated the vast trading volume in Chicago soybean futures, increased the Commodity Exchange Authority's regulatory workload in every area of soybean trading supervision. The soybean trading volume of 12.6 billion bushels in 1960-61 was more than twice that of the previous year. The size of the market, already large in the fall of 1960 when the crop began moving to market, increased sharply in January and February as public participation was attracted by advancing prices. The heavier trading caused sharp price fluctuations and accelerated the turnover of accounts in the Commodity Exchange Authority's reporting status.

To maintain regulatory controls, the agency began special appraisals of all large-trader operations, and daily appraisals of the weight and force of trading by speculators, merchandisers, and processors in relation to price movements. Critical periods in trading developed successively with the maturities of the January, March, May, and July futures. Notwithstanding the marked price rise from December to April, and the reaction which followed, the successive futures were closed out without serious congestion or disorderly trading. The agency's detailed analysis and investigation of the heavy trading in soybeans will determine the reasons for the price volatility in the market, the extent of public participation in the market, and the effects of trading by large speculators and hedgers.

3. Shell egg futures trading surveyed. The agency made an intensive study and reappraisal during the year of the shell egg futures market of the Chicago Mercantile Exchange. The trading volume in shell egg futures, amounting to nearly a half million carlots in 1960, was a third larger than in 1959, and about four times the volume of 10 years earlier. The Commodity Exchange Authority's study included a market-wide survey of all traders' positions in shell egg futures as of the end of July 1960, and a subsequent published report on the findings from this survey and related analysis work. The agency's study showed that futures trading in shell eggs is based on the economic need to store and carry eggs from the flush production season in the spring to the deficit fall period. Egg storers use the futures market to reduce price risks through hedging sales, and there is a continuing close relationship between cold storage holdings of eggs and hedging in the futures market. The market also attracts a large volume of trading by speculators who buy or sell according to their differing opinions of price outlook, and account for the greatest proportion of open contracts in egg futures.
4. Frozen egg futures under regulation. During the year the agency became responsible for the regulation of trading in the fast-growing frozen egg futures market conducted on the Chicago Mercantile Exchange. Trading in frozen egg futures increased from 9,607 carlots in the 1959-60 fiscal year to 99,859 contracts in 1960-61. The frozen egg futures market, as distinct from the shell egg futures market of the exchange, is being used in the pricing and marketing of frozen eggs by egg breakers, receivers, distributors, and others in the egg industry. CEA reporting requirements were made effective during the year applicable to large traders, futures commission merchants, and exchange clearing members in frozen eggs. As of June 30, 1961, the agency made its first marketwide survey of frozen egg futures, obtaining detailed information for regulatory purposes on the identities of all traders in the market, their occupations and geographic locations, the size of their positions, and their speculative and hedging classifications.

5. Trading regulation in potato futures. A marketwide survey of all traders' positions in Maine potato futures at the end of October 1960 helped to guide the agency's regulatory work in this commodity. The results of the survey showed that in the early part of the season the market, although not as active as one year earlier, was being used substantially by potato industry groups for the hedging of potato inventories and fixed-priced purchase commitments in cash potatoes. Traders in Maine were making the major utilization of the market at the time of the survey, accounting for almost half of the combined long and short hedging commitments in the market. Another feature of the year's work in potato futures was a special analysis and investigation of the heavy trading in the market on May 14, 1961, the last day of trading in the May future. The investigation showed that the execution of trades was orderly considering the large number of transactions in a brief space of time. It also showed that the trading was widely spread among brokers and traders, with no evidence of concentration, and that there was no speculative short selling in the final period of trading.
6. Enforcement of speculative limits. The high levels of activity in the futures markets for grains, soybeans, and eggs substantially increased the work of keeping check on the market operations of large speculators to whom statutory limits on speculative trading and positions apply. The agency found 38 instances during the year in which traders exceeded the speculative limits, compared with 18 such instances in the 1959-60 fiscal year. Position limits were exceeded in 1961 in 16 instances: in eggs 10, in soybeans 5, and in rye 1. The daily trading limits were exceeded in 22 instances: in eggs 11, in soybeans 9, and in rye 2.

In some instances trades or positions exceeded the limits by small amounts due to recordkeeping errors. In each instance that a position limit was exceeded, the speculative line was promptly reduced when the trader was contacted. In all instances, whether involving position limits or trading limits, the trader was warned against further infractions. In two legal proceedings completed during the year, traders found guilty of exceeding speculative limits in prior years were put out of the markets for specified periods--in one case after an appeal by the respondent to the U.S. Court of Appeals in Chicago had been denied.

7. Supervision of anticipatory hedging. The agency continued to maintain surveillance and analysis of the cash and futures positions of large processors and manufacturers who avail themselves of the anticipatory hedging provisions of section 4a (3)(C) of the Commodity Exchange Act. Under these provisions processors and manufacturers may acquire long futures positions to hedge anticipated requirements which prior to the enactment of section 4a (3)(C) in 1956 could not be classified as hedging. To qualify, processors and manufacturers must file with the Commodity Exchange Authority statements of their anticipated unfilled

requirements, based on prior utilization and inventory, and comply with regulations under the act requiring that such purchases and liquidations of futures be made in an orderly manner without causing sudden or unwarranted price changes.

During the year 15 grain and soybean processing firms filed under section 4a (3)(C). Their total anticipated requirements were 578,000,000 bushels. Firms filing in the previous year had requirements of 494,000,000 bushels. Of the anticipated requirements in 1960-61, wheat comprised 218 million bushels, corn 160 million bushels, soybeans 171 million bushels, oats 27 million bushels, and rye 3 million bushels.

8. Increased contacts with smaller exchanges. To make its services more readily available to market-users at a distance from the larger exchange centers, the agency gave increased attention during the year to the smaller exchanges which are contract markets under the Commodity Exchange Act. The information needs of traders and market officials at these exchanges concerning futures-trading regulation were reviewed, and Commodity Exchange Authority representatives made special or scheduled visits to confer with officials of the San Francisco Grain Exchange, Portland Grain Exchange, Seattle Grain Exchange, Duluth Board of Trade, and the Memphis Board of Trade. Working with the officials and control committees of these exchanges is mutually helpful in providing information for regulatory purposes, and in assisting their members and others in keeping posted on the Commodity Exchange Authority's regulatory requirements and futures statistics published by the agency. The agency also made a special survey during the year of trading rules and practices on the Chicago Open Board of Trade, designed to improve the competitive aspects of trading on this market.
9. Reporting regulations shortened and simplified. A new issue of regulations under the Commodity Exchange Act prepared during the year provides a more readable and useful guide to the agency's reporting requirements--and a convenience and saving both to the Government and to the traders and brokers who operate under the regulations. By adopting simple listings of reporting forms and reporting levels for all regulated commodities, to replace repetitious textual statements for each commodity, and by rewriting and simplifying the material on reporting, the context of the reporting regulations was reduced by 75%. As a result, the new issue of the printed bulletin, issued shortly after the close of the fiscal year, which gives an up-to-date version of the Commodity Exchange Act and all the regulations under it, is a publication of 52 pages, instead of nearly 100 pages in the former publication.
10. Prosecutions of violations of the act. In the prosecution of price manipulation, an order was issued by the Department's Judicial Officer on April 17, 1961, imposing sanctions on a large cotton merchandising organization charged with manipulating the New York and New Orleans

cotton markets in October 1957. This case has been vigorously contested at every step, and the respondents obtained a stay of the Department's disciplinary order by appealing to the U.S. Court of Appeals in New Orleans.

An investigation during the year of questionable trading by two egg dealers resulted in a complaint, issued shortly after the close of the fiscal year, charging manipulation of the spot egg call on the New York Mercantile Exchange.

The agency's trade practice and compliance investigations during the year also resulted in formal complaints against 13 brokers and traders charged with noncompetitive trading and other trade practice violations. Seven of the respondents were disciplined after entering into consent orders in administrative proceedings during the fiscal year, and the prosecutions of the remaining six were in process at the end of the year.

In two prosecutions for violations of speculative limits, one in eggs and one in rye, the Government's charges were sustained and sanctions were imposed, the rye case being successfully concluded when the U.S. Court of Appeals in Chicago denied the respondent's petition to review and set aside the Department's order.

Several investigations of suspected mishandling by brokers of commodity customers' funds yielded evidence which resulted in two complaints issued shortly after the close of the year charging violations of the segregation requirements under the act.

11. Registration of commodity brokers. In the supervision of commodity brokerage activities, the agency registered 466 futures commission merchants and 755 floor brokers who made acceptable applications for Federal registration under the act. As of June 30, 1961, registered futures commission merchants were maintaining 2,096 principal and branch offices (compared with 2,037 one year earlier), and had agents in 372 other offices (compared with 341 one year earlier). Registration fees collected from futures commission merchants and floor brokers in 1960-61, and deposited in the U.S. Treasury, amounted to \$35,545.
12. Protection of commodity customers' funds. The agency made 513 audits of the books of futures commission merchants during the year, compared with 563 audits in 1959-60. The smaller number of audits in 1960-61, made necessary by the assignment of auditors to urgent trading and investigation situations, covered the accounts of 28,753 commodity customers with funds to their credit of \$92,772,000. Although the audits made and the commodity accounts audited were smaller in number than in the previous year, the audits were carefully assigned to make certain that they would cover brokers and firms in poor financial condition. The backlog of registrants whose records had not been audited during the year was 46 at the end of the year, compared with a backlog of 23 one year earlier.

13. Market rules examination work. A significant accomplishment in the agency's continuing examination of exchange rules to determine compliance with the market-designation requirements of the act was the virtual completion of a project begun in the previous year to further protect commodity customers and increase the competitiveness of trading, in conformity with section 1.38 of the regulations. Under this project all the exchanges were requested to amend their rules so that if simultaneous purchases and sales are executed in different delivery months at a price differential, such executions are required to conform to section 1.38. At the close of the year, all but one of the 16 contract markets had completed the revision of their rules in this matter as requested.
14. Reports from the trade. In maintaining the system of required reports on futures trading operations, during the year the Commodity Exchange Authority obtained, tabulated, and audited 542,980 reports from large traders, futures commission merchants, and exchange clearing members compared with 520,854 reports in 1959-60. Reports from large traders, and from futures commission merchants reporting on large traders, increased 12.7% during the year--from 296,775 in 1959-60 to 334,439 in 1960-61, reflecting the increased futures trading activity.

There was a moderate increase during the year in the number of futures contracts settled by the delivery process, as reflected in delivery notices obtained from exchange clearing members by the Commodity Exchange Authority. For all regulated commodities delivery notices increased from 45,122 in 1959-60 to 48,032 in 1960-61.

15. Publications and reports. The results of the agency's study of Chicago shell egg futures, published during the year in the report "Egg Futures Trading, 1960," helped to fill a growing need for more information on this market which has been expressed by producers' organizations, egg merchandisers and processors, poultry extension economists, and others concerned with egg pricing and marketing.

Another agency report, "Maine Potato Futures, October 28, 1960," included the results of a survey of all traders' positions and other information and data on the composition of the New York potato futures market in the early part of the 1960-61 marketing season for Maine potatoes.

An informative story on futures trading regulation in the United States, entitled "The Commodity Exchange Act and Its Administration," was prepared at the request of the Forward Markets Commission of India (which regulates futures trading in that country), and was featured in the Commission's monthly publication, The Forward Markets Bulletin. The article was reprinted for distribution in this country.

The agency's statistical annual for 1959-60, the official yearbook of futures statistics in the United States, was published as USDA Statistical Bulletin No. 274, Commodity Futures Statistics, July 1959-June 1960.

Publication of the agency's daily, weekly, and monthly statistical releases and reports on futures trading--about half a million copies are distributed annually--continued on the regular schedule, notwithstanding the confusion in some of the markets, thus providing the trade and public with an uninterrupted flow of basic data on the year's unusual markets. These periodic reports include:

Daily reports issued by the field offices on volume of trading and open contracts in regulated commodities on the principal markets.

Weekly reports: Sales of cotton "on call" based on New York futures; stocks of grain in deliverable position in federally licensed warehouses at Chicago, Illinois.

Monthly reports:

Trade in Grain Futures

Trade in Cotton Futures

Commitments of Traders in Wheat Futures

Commitments of Traders in Soybean Futures

Commitments of Traders in Cotton Futures

Commitments of Traders in Wool and Wool Top Futures.

16. Contract markets and regulated commodities. The 16 commodity exchanges licensed as contract markets under the Commodity Exchange Act and the 17 commodities in which futures trading was conducted under the act in fiscal 1961 are as follows:

Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, grain sorghums, cotton, soybean oil, lard, soybean meal
Chicago Mercantile Exchange. .	Eggs (frozen and shell), potatoes
Chicago Open Board of Trade. .	Wheat, corn, oats, rye, soybeans
Duluth Board of Trade	(No trading in 1960-61)
Kansas City Board of Trade . .	Wheat, corn, grain sorghums
Memphis Board of Trade	
Clearing Association	Cottonseed meal, soybean meal
Milwaukee Grain Exchange . . .	Wheat, corn, oats, rye
Minneapolis Grain Exchange . .	Wheat, oats, flaxseed
New Orleans Cotton Exchange. .	Cotton
New York Cotton Exchange . . .	Cotton
New York Mercantile Exchange .	Eggs, potatoes
New York Produce Exchange . .	Cottonseed oil, soybean oil
Portland Grain Exchange . . .	(No trading in 1960-61)
San Francisco Grain Exchange .	(No trading in 1960-61)
Seattle Grain Exchange	(No trading in 1960-61)
Wool Associates of the New York Cotton Exchange	Wool, wool tops

Workload data on major activities of the Commodity Exchange Authority

	Actual			Estimated		
	1959	1960	1961	1962	1963	
I. <u>Licensing and auditing:</u>						
<u>Audits of customers' segregated funds</u>						
Accounts examined	698	563	513	580	580	580
Financial statements examined	34,237	33,530	28,753	34,200	34,200	34,200
Futures commission merchants registered	503	483	475	500	500	500
Floor brokers registered	503	483	466	500	500	500
	778	739	755	775	775	775
II. <u>Supervision:</u>						
<u>Markets and commodities:</u>						
Exchanges						
Commodities	16	16	16	16	16	16
Markets (6 wheat markets, 3 cotton markets, etc.)	21	19	17	18	18	18
Reports tabulated and analyzed:	44	44	37	43	43	43
Daily trading volume and open contracts						
Daily and weekly reports of large traders	221,793	224,079	208,541	225,000	225,000	225,000
Average daily reports received from large traders	268,520	296,775	334,439	350,000	350,000	350,000
Weekly stock reports from Chicago regular elevators	716	786	916	1,000	1,000	1,000
Delivery notices	3,433	3,295	3,039	3,300	3,300	3,300
Special calls and surveys	37,703	45,122	48,032	50,000	50,000	50,000
Accounts	4	2	3	6	6	6
General activities, including observance of trading, contact with exchange officials, establishment, review and enforcement of speculative limits, quotations service, price compilations and review of market letters	4,303	9,278	5,309	18,000	16,000	16,000
III. <u>Investigations:</u>						
<u>Compliance investigations completed</u>						
Trade practice investigations completed	26	31	54	50	50	50
Criminal prosecutions instituted	1	2	2	3	3	3
Administrative proceedings instituted	0	0	0	0	0	0
	5	4	6	7	7	7

x No measure of workload available.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961 under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 USC 133Z). The Service carries on the following principal programs:

1. Acreage Allotments and Marketing Quotas. The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment for designated basic commodities (tobacco, peanuts, wheat, cotton and rice) through acreage allotments, and the adjustment of supplies through marketing quotas when supplies reach specified levels in relation to normal demand.

In addition to its regular programs, ASCS is responsible for part of the continuing activities of the Department in the area of defense preparedness measures relating to food and the domestic distribution of farm equipment and supplies.

2. Sugar Act Program. The chief objective set forth in the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugars and those engaged in the domestic sugar-producing industry". This involves (a) determination of U. S. consumption requirements; (b) administration of quotas to regulate imports of sugar produced in foreign areas, as well as marketing of sugar produced in domestic areas; and (c) payments to domestic producers of sugar beets and sugar cane, provided producers comply with certain labor, wage, price, and marketing requirements prescribed by law.

The Service also carries out the United States' responsibilities under the International Sugar Agreement which is designed to contribute to stabilization of the world sugar economy.

3. Agricultural Conservation Program. This program is authorized by the provisions of section 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. Its objectives include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on land. Cost-sharing assistance is furnished to individual farmers and ranchers in the 50 States, Puerto Rico and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. This assistance represents only a part of the cost of performing the practice. The farmer bears the balance of the cost and in addition supplies labor and management necessary to carry out the practice. Allocations are made to States based upon conservation needs.
4. Emergency Conservation Measures. The objective of this program, which is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959, is to restore to normal agricultural use farmlands which have been damaged by wind

erosion, hurricanes, floods, or other natural disasters. To this end, farmers are offered cost-sharing assistance for carrying out approved practices. Assistance is given only when new conservation problems are created which:

- a. If not treated will impair or endanger the land.
- b. Materially affect the productive capacity of the land.
- c. Represent damage which is unusual in character and except for wind erosion, is not the type which would recur frequently in the same area.
- d. Will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

5. Conservation Reserve Program. The Conservation Reserve Program authorized by the Soil Bank Act is a long-range program under which farmers have voluntarily contracted to take cropland out of production for a specified number of years and devote it to conservation uses. In return the farmer receives (a) an annual rental payment for the contract period, and (b) assistance in either cash or conservation materials and services for carrying out approved conservation practices on the reserved acreage. Farmers are required to apply approved conservation practices to the reserve acreage which include establishing grasses, legumes, or trees, or to devote it to soil-water-forest or wildlife conservation practices. They may not harvest a crop from the reserved acres or graze them, except when authorized in emergencies. No new contracts have been authorized under this program since 1960, and the program is in liquidation.
6. Special Agricultural Conservation and Adjustment Programs. Public Law 87-5 authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961 continues the program for 1962 and broadens it to include barley. In addition, the Act provides a special program for the 1962 crop of wheat. The chief objectives of these programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities.
7. Marketing Agreements and Orders. Funds appropriated under the Act of August 24, 1935 (Section 32), are allotted by the Secretary to ASCS for marketing agreements and orders assigned to the agency, and for development of new orders under Title I of the Agricultural Act of 1961.
8. Commodity Credit Corporation Program Activities. Various price support and related programs have been authorized in numerous legislative enactments since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are utilized in the administration of programs of the Commodity Credit Corporation, and the Administrator of the Service is also Executive Vice President of the Corporation.

Additional information on the price support and related activities of the Commodity Credit Corporation will be found in another section of these Explanatory Notes.

9. Special Export Programs (Foreign Assistance) and other Special Activities. Various surplus disposal programs and other special activities are conducted pursuant to specific statutory authorizations and directives. These laws authorize the use of CCC funds and facilities to implement the programs. Appropriations for these programs are transferred or paid to the Corporation for its costs incurred in connection with the following major activities:

a. Special Export Programs (Foreign Assistance)

(1) Public Law 480:

- (a) Sales of surplus agricultural commodities for foreign currencies (Title I);
- (b) Commodities disposed of for emergency famine relief to friendly peoples (Title II);
- (c) Long-term supply contracts (Title IV).

(2) International Wheat Agreement

(3) Bartered materials for supplemental stockpile.

b. Other Special Activities

(1) Reimbursement for costs of National Wool Act (permanent appropriation).

(2) Grain for migratory waterfowl.

(3) Surplus grain for game birds

(4) Transfer of long staple cotton from national stockpile for sale by CCC.

(5) Loans to Secretary of Agriculture for conservation purposes.

10. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies on an advance or reimbursable payment basis. These consist primarily of the following:

- a. Great Plains Conservation Program. The Service assists the Soil Conservation Service in the development and application of policies relating to conservation measures and cost-share rates, including practices or changes in practices for use in the various States, and works with the Soil Conservation Service in correlating the Agricultural Conservation Program and the Great Plains Conservation Program practices and procedures.

- b. Removal of Surplus Agricultural Commodities, and School Lunch Program. Pursuant to an annual agreement with the Agricultural Marketing Service, funds are received for carrying out purchase and diversion programs authorized under section 32 of the Act of August 24, 1935 and for the procurement of commodities for distribution to schools for utilization in the School Lunch Program.
- c. Aerial Photographs. The Service enters into cooperative agreements with State and local public agencies for the procurement of aerial photographs. Copies of all photographs, made primarily for use in conservation and production adjustment programs, are available for sale to the public.
- d. Agency for International Development. The Service procures or provides commodities for distribution abroad, at the request of the Agency for International Development.

The Agricultural Stabilization and Conservation Service carries on its programs in the field through (a) seven commodity offices and a data processing center which are responsible primarily for Commodity Credit Corporation functions, including price support loans and purchases, acquisition, management, storage and disposition of commodities, and related transportation and accounting activities; and (b) the ASC State and county committees which are responsible for the local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASC State Committees in the 50 States and Puerto Rico, and a total of 3,053 county committees.

As of November 30, 1961, the Service had 8,622 full-time employees, 1,430 of whom were in Washington and 7,192 in the field. The ASC county offices had 25,628.2 man-years of non-Federal employment in the fiscal year 1961.

	<u>Appropriated, 1962</u>	<u>Budget Estimate, 1963</u>
Acreage Allotments and Marketing Quotas ..	\$44,098,000	\$44,181,000
Sugar Act Program	78,000,000	80,000,000
Agricultural Conservation Program	238,000,000	244,500,000
Advance Authorization	(250,000,000)	(150,000,000)
Emergency Conservation Measures	a/ 5,000,000	- -
Conservation Reserve Program	b/ 312,000,000	323,000,000
Special Agricultural Conservation and Adjustment Programs	<u>18,500,000</u>	<u>18,500,000</u>
Total c/	<u>695,598,000</u>	<u>710,181,000</u>

a/ In addition, \$11,737,909 available from prior year balance.

b/ In addition, \$22,151,475 available from prior year balance and \$12,273,853 in unused balances of funds previously advanced to CCC.

c/ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are set forth in the Commodity Credit Corporation and Special Export Programs (Foreign Assistance) sections of these Explanatory Notes.

Summary of Appropriations, 1962 and Estimates, 1963

Appropriation Item	: Estimated Available 1962	: Budget Estimates, 1963	: Increase (✓) or Decrease (-)
Acreage allotments and marketing quotas	: \$44,098,000	: \$44,181,000	: ✓\$83,000
Sugar Act program	: 78,000,000	: 80,000,000	: ✓2,000,000
Agricultural conservation program	: 238,000,000	: 244,500,000	: ✓6,500,000
Emergency conservation measures ..	: <u>a/</u> 5,000,000	: - -	: -5,000,000
Conservation reserve program	: <u>b/</u> 312,000,000	: 323,000,000	: ✓11,000,000
Special agricultural conservation and adjustment programs	: 18,500,000	: 18,500,000	: - -
Total <u>c/</u>	: 695,598,000	: 710,181,000	: ✓14,583,000

a/ In addition, \$11,737,909 available from prior year balances.

b/ In addition, \$22,151,475 available from prior year balances and \$12,273,853 in unused balances of funds previously advanced to CCC.

c/ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are presented in the Commodity Credit Corporation and Special Export Programs (Foreign Assistance) sections of these Explanatory Notes.

(a) Acreage Allotments and Marketing Quotas

Appropriation Act, 1962 and base for 1963	\$44,098,000
Budget Estimate, 1963	<u>44,181,000</u>
Increase (for civil defense functions previously financed by transfer)	<u>+83,000</u>

PROJECT STATEMENT

Project	1961	1962 :(estimated):	Increase or Decrease	1963 :(estimated)
Acreage allotments and marketing quotas a/	\$43,582,390	\$44,098,000	- -	\$44,098,000
Civil defense regional liaison	- -	- -	+\$83,000(1)	83,000
Unobligated balance	15,610	- -	- -	- -
Total appropriation or estimate	43,598,000	44,098,000	+83,000	44,181,000

a/ Represents obligations. Applied costs vor 1961 are \$43,542,029. The difference of \$40,361 reflects a change in unpaid undelivered orders.

The estimate assumes continuation of acreage allotment and marketing quota programs on cotton, tobacco, peanuts, wheat, and rice and assumes that work-load will be at about the same level as in fiscal year 1962.

INCREASE

(1) The increase of \$83,000 is required to finance certain civil defense activities delegated to the Department of Agriculture when the Office of Civil and Defense Mobilization was discontinued by reorganization order of the President. This order established the Office of Emergency Planning and the action programs of the OCDM were transferred to other agencies. The activities covered by this estimate which have been delegated to USDA, relate to regional liaison in the development of area defense readiness plans and liaison between the Department of Agriculture, the Department of Defense and the Office of Emergency Planning at the regional level. This pre-emergency liaison planning will help to assure prompt and effective results, under a coordinated plan of action, by these key agencies in the event of a national emergency.

The Department's specific program responsibilities in this area include the assessment of effects of attack on agriculture, and of food requirements and supply, and the requesting of transportation, fuels, manpower, fertilizers and other requisites necessary to enable the American farmer to continue to produce the needed food and fiber. In the fiscal year 1962, \$150,095 has been provided for these activities by the Office of Emergency Planning. The \$83,000 requested for 1963 is to finance these activities now transferred to the Department of Agriculture. In addition, the Service will continue to carry out other necessary agricultural defense readiness planning as an integral and regular part of its regular program activities.

STATUS OF PROGRAM

Acreage allotment and marketing quota programs have been announced for the 1962 crops of flue-cured tobacco, peanuts, wheat, upland cotton, extra long staple cotton, and rice. Quotas will be proclaimed not later than February 1, 1962, for burley, fire-cured, dark air-cured, Virginia sun-cured, cigar binder, cigar filler and binder, and Maryland tobaccos.

The Agricultural Act of 1961 provides for a mandatory reduction of 10 percent in individual farm allotments for the 1962 crop of wheat. The Act also provides for payments to producers who increase their acreage of soil-conserving crops by a definite minimum amount. In addition to the mandatory 10 percent reduction, producers may divert additional wheat acreage to soil-conserving uses.

TOBACCO ACREAGE ALLOTMENTS AND MARKETING QUOTAS (953 counties)

The marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, treat each kind of tobacco as if it were a separate commodity. Quotas must be proclaimed (not later than December 1 of any marketing year with respect to flue-cured tobacco and February 1 with respect to other kinds of tobacco) whenever the total supply at the beginning of the marketing year exceeds the reserve supply level.

However, a quota may not be proclaimed for any year within a 3-year period for which quotas have been disapproved if producers have disapproved quotas for 3 years in succession after 1952, unless one-fourth or more of the farmers engaged in producing such tobacco prior to November 10, petition the Secretary of Agriculture to proclaim a quota.

The marketing quota proclamation specifies in pounds of tobacco the quantity which may be marketed during the next following marketing year. It is an amount which will make available for marketing during that year, a supply equal to the reserve supply level. The Secretary is authorized to convert the State poundage quota into a State acreage allotment on the basis of average yield per acre of tobacco in the State during the five years preceding the year in which the quota is proclaimed with appropriate adjustments for abnormal conditions of production.

Quotas proclaimed for 1960 and 1961 are as follows:

<u>Kind of Tobacco</u>	<u>Number of pounds</u>		<u>Approx. No. of Acres</u>	
	<u>1960</u>	<u>1961</u>	<u>1960</u>	<u>1961</u>
	(1,000 lbs.)			
Flue-cured	1,078,600	1,122,000	715,110	715,817
Burley	495,000	536,000	310,275	329,095
Fire-cured(types 22&23)	47,540	48,400	32,785	32,820
Fire-cured (type 21)	11,771	11,957	9,132	9,148
Dark air-cured	22,450	22,700	15,882	15,834

<u>Kind of Tobacco</u>	<u>Number of Pounds</u>		<u>Approx. No. of Acres</u>	
	<u>1960</u>	<u>1961</u>	<u>1960</u>	<u>1961</u>
	(1,000 lbs.)			
Virginia sun-cured	4,335	4,684	4,205	4,361
Cigar filler & binder (Types 42-44, 53-55)	40,800	41,300	25,264	25,701
Cigar binder (types 51 & 52)	22,200	20,000	12,020	10,786
Maryland	42,360	44,200	48,858	49,663

Referendum — Within 30 days after issuance of proclamation of quotas, a referendum must be held. Farmers vote for quotas for three years and quotas become effective only if approved by at least two-thirds of the farmers voting.

In a referendum held February 24, 1961, 97.9% of growers voting favored marketing quotas on fire-cured and dark air-cured tobaccos for three marketing years beginning October 1, 1961, and on December 12, 1961, a referendum was held on flue-cured tobacco with 98.2% of the growers voting favoring quotas for three marketing years beginning July 1, 1962. The percentage favorable was the highest of any quota referendum on flue-cured tobacco. Quotas have been approved for burley and Virginia sun-cured tobaccos through the 1961 marketing year, and for cigar binder and cigar filler and binder tobaccos through the 1962 marketing year. Referenda will be held within 30 days after the proclamation of quotas for burley and Virginia sun-cured tobaccos to determine whether producers favor quotas for three marketing years beginning with 1962.

Acreage allotted — The number of allotment farms and the acreage allotted, by States, for the 1960 and 1961 crops of the various kinds of tobacco are presented in the following table:

Number of Allotment Farms and Acreage Allotted, 1960 and 1961 Crops

State and Kind of Tobacco	1960 Crop		1961 Crop	
	Estimated number of farms	Acreage Allotted	Estimated number of farms	Acreage Allotted
<u>Flue-cured</u>				
Alabama	263	503.03	267	509.86
Florida	6,949	15,188.51	6,960	15,216.39
Georgia	27,986	72,480.66	26,860	72,584.31
North Carolina	119,996	470,774.75	120,064	471,299.84
South Carolina	26,800	82,824.17	26,333	82,913.31
Virginia	23,337	71,541.43	23,358	71,638.73
Total, flue-cured	205,331	713,312.55	203,842	714,162.44
<u>Burley</u>				
Alabama	41	30.78	42	32.67
Arkansas	76	53.33	76	56.63
Georgia	210	87.70	212	93.80
Illinois	12	5.93	12	6.30
Indiana	9,671	7,746.01	9,672	8,228.30
Kansas	53	92.69	54	100.26
Kentucky	145,905	200,689.18	145,816	213,078.97
Missouri	1,661	3,198.88	1,672	3,398.20
North Carolina	18,022	10,200.15	18,118	10,864.67
Ohio	10,956	9,973.72	10,984	10,598.07
Pennsylvania	2	2.00	2	2.12
South Carolina	8	4.12	9	4.77
Tennessee	93,871	63,384.58	94,035	67,378.63
Texas	2	0.40	2	0.43
Virginia	17,275	11,041.30	17,325	11,744.35
West Virginia	4,542	2,865.25	4,574	3,049.63
Total, burley	302,307	309,376.02	302,605	328,637.80
<u>Fire-cured</u>				
Illinois	1	0.24	1	0.24
Kentucky	9,004	15,386.31	9,017	15,400.33
Tennessee	8,779	17,310.84	8,807	17,316.53
Virginia	7,353	9,114.27	7,348	9,129.05
Total, fire-cured	25,137	41,811.66	25,173	41,846.15
<u>Dark air-cured</u>				
Indiana	117	45.73	117	45.73
Kentucky	19,570	13,464.99	19,629	13,479.80
Tennessee	4,810	2,267.01	4,822	2,267.25
Total, dark air-cured	24,497	15,777.73	24,568	15,792.78
Virginia sun-cured	2,303	4,183.62	2,307	4,352.42

State and Kind of Tobacco	1960 Crop		1961 Crop	
	Estimated number of farms	Acreage Allotted	Estimated number of farms	Acreage Allotted
<u>Cigar filler and binder</u>				
Illinois	3	7.06	3	7.06
Indiana	2	1.47	2	1.47
Iowa	1	8.49	1	8.49
Minnesota	114	242.75	119	254.85
New York	70	94.10	71	95.60
Ohio	1,513	5,448.78	1,564	5,613.72
Pennsylvania	121	264.72	121	268.36
Wisconsin	6,578	19,029.85	6,613	19,092.21
Total, cigar filler and binder	8,407	25,097.22	8,494	25,341.76
<u>Cigar binder</u>				
Connecticut	1,327	7,714.57	1,327	6,996.40
Massachusetts	972	4,054.08	968	3,641.12
New York	1	0.18	1	0.16
Vermont	1	5.76	1	5.23
Total, cigar binder	2,301	11,774.59	2,297	10,642.97
<u>Maryland</u>				
Delaware	1	0.13	1	0.13
Maryland	6,912	48,662.15	6,951	49,512.72
Virginia	92	33.23	93	33.80
Total, Maryland ..	7,005	48,695.51	7,045	49,546.65
	577,288	1,170,028.90	576,331	1,190,322.97

The amount of the national quota, less that portion set aside for "new farms" and small farms is apportioned among the States on the basis of the production in each State during the five calendar years preceding the calendar year in which the quota is proclaimed. Adjustments in State production data must be made to the extent necessary to make correction for abnormal conditions of production, for small farms, and for trends in production, giving due consideration to seed bed and other plant diseases.

After the State quota is converted to a State acreage allotment, farm acreage allotments are established on the basis of past acreage, adjusted for abnormal weather and plant diseases, land, labor, and equipment available for production of tobacco; crop-rotation practices and the soil and other physical factors affecting the production of tobacco. Local committees allot the acreage among the farms on which tobacco is produced. Where farm acreage allotments are established, the farm quota is the actual production of tobacco from the farm acreage allotment.

Tobacco marketed in excess of the farm marketing quota is subject to a penalty per pound of 75% of the average market price for such kind of tobacco for the preceding marketing year.

Whenever the Secretary determines that, under the marketing quotas and acreage allotments established for any kind of tobacco, the production of any one or more of the types comprising such kind of tobacco will not be sufficient to meet market demands and carryover requirements for such type or types of tobacco, the Secretary must make appropriate increases in the marketing quotas. The increases are made on the basis of production of such type or types of tobacco during the same period of years considered in establishing farm marketing quotas and acreage allotments for the kind of tobacco involved.

PEANUT ACREAGE ALLOTMENTS AND MARKETING QUOTAS (496 counties)

Quotas must be proclaimed each calendar year between July 1 and December 1 of each year regardless of the supply situation. The national marketing quota must be equal to the average quantity of peanuts harvested for nuts during the five years immediately preceding the year in which the quota is proclaimed, adjusted for current trends and prospective demand conditions.

A national marketing quota for the 1962 crop of peanuts of 1,006,000 tons and a national acreage allotment of 1,610,000 acres were announced on October 16, 1961. Both the marketing quota and the national acreage allotment for the 1962 crop are at the minimum levels required by law.

A referendum must be held not later than December 15 to determine whether farmers are in favor of or opposed to marketing quotas with respect to the crops of peanuts produced in the three calendar years immediately following the year in which the referendum is held. In a referendum held December 15, 1959, 94.9% of the farmers voting approved marketing quotas for three marketing years beginning with the 1960 marketing year.

The national marketing quota must be converted to a national acreage allotment by dividing the quota by the normal yield per acre of peanuts for the United States determined on the basis of the average yield per acre in the preceding five calendar years with necessary adjustments for trends in yields and for abnormal conditions of production.

The national acreage allotment less the acreage set aside for "new" farms is apportioned among the States on the basis of the State's share of the national acreage allotment for the preceding year.

The State acreage allotment is apportioned through local committees among farms on the basis of past acreage of peanuts, taking into consideration previous allotments, abnormal conditions, land, labor and equipment available for the production of peanuts, crop-rotation practices, and soil and other physical factors affecting the production of peanuts.

Whenever the Secretary determines that, on the basis of average yields per acre by types, adjusted for trends and abnormal conditions, the supply of any type or types is insufficient to meet the demand for cleaning and shelling purposes at prices at which the Commodity Credit Corporation may sell its stocks of such peanuts, the Secretary is required to make appropriate increases in State acreage allotments. No State, however, may be increased above the acreage harvested in the State in 1947.

The amount of the farm marketing quota, applicable to an individual farm is the actual production from the acreage allotment for such farm.

The marketing of peanuts in excess of the actual production from the acreage allotment for a farm, or the marketing of peanuts from a farm for which no acreage allotment was determined, is subject to a penalty at a rate equal to 75% of the support price for peanuts for the marketing year beginning in the calendar year in which such peanuts are produced.

Quotas are not applicable to any farm on which the acreage of peanuts harvested for nuts is one acre or less.

Estimated Number of Allotment Farms and Acreage Allotted by State

<u>State</u>	<u>Number of Allotment Farms</u>	<u>1961 Acreage Allotment</u>	<u>1962 Acreage Allotment</u>
Alabama	18,615	218,420.4	218,148.0
Arizona	40	717.2	717.0
Arkansas	382	4,220.0	4,216.0
California	48	940.2	939.0
Florida	6,614	55,367.0	55,276.0
Georgia	32,380	528,663.8	528,014.0
Louisiana	79	1,963.4	1,962.0
Mississippi	104	7,558.7	7,551.0
Missouri	2	247.1	247.0
New Mexico	441	7,062.1	5,098.0
North Carolina	17,712	169,018.0	168,860.0
Oklahoma	12,187	138,358.4	138,215.0
South Carolina	1,357	13,953.3	13,848.0
Tennessee	627	3,719.0	3,615.0
Texas	18,913	356,581.4	356,150.0
Virginia	8,552	105,631.0	105,534.0
Reserve for new farms ..	-	6.0	1,610.0
Total	118,053	1,612,427.0 <u>a/</u>	1,610,000.0

a/ Includes an increase of 2,427.0 acres for Valencia type peanuts.

WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS (2,671 counties)

Quotas must be proclaimed not later than May 15 of any calendar year whenever the total supply for the marketing year beginning in such calendar year exceeds normal supply by more than 20 percent or the total supply is not less than normal supply and the average farm price for three successive months does not exceed 66 percent of parity.

On May 12, 1961, marketing quotas were proclaimed for the 1962 crop of wheat based upon the following determination of normal supply for the 1962 crop and the marketing quota position as indicated by the supply percentage.

Normal Supply and Marketing Quota Level

Million bushels

1. Estimated Domestic consumption, 1960-61 marketing year	609
2. Estimated Exports, 1961-62 marketing year	<u>600</u>
3. Total (item 1 + item 2)	1,209
4. Allowance for carryover (20% of item 3)	<u>242</u>
5. Normal supply (item 3 + item 4)	1,451
6. Marketing quota level (120% of item 5)	1,741

Total supply and supply percentage

Million bushels

7. Estimated carryover, July 1, 1961	1,455
8. Estimated production, 1961	1,327
9. Estimated imports, marketing year 1960-61	<u>7</u>
10. Total supply (item 7 + item 8 + item 9)	2,789
11. Supply percentage (item 10 + item 5)	192.2%

Determination of National Wheat Acreage Allotment

1. Normal year's domestic consumption	614
2. Normal year's exports	<u>421</u>
3. Total (item 1 + item 2)	1,035
4. 30% of normal year's domestic consumption and exports	<u>310</u>
5. Normal year's domestic consumption and exports plus 30% (item 3 + item 4)	<u>1,345</u>
6. Indicated carryover, July 1, 1962	1,580
7. Estimated imports, marketing year 1961-62	<u>7</u>
8. Total (item 6 + item 7)	1,587
9. Indicated production needed in 1961 (item 5 - item 8)	zero acres
10. National average yield per planted acre	21.0 bu.
11. Indicated national acreage allotment for 1962 crop	zero acres
12. Minimum national acreage allotment (established by law)	55,000,000 acres

The estimated number of allotment farms and the 1962 allotment acreage for each producing State as announced on May 12, 1961, is presented in the following table, along with comparable 1961 data.

WHEAT ACREAGE ALLOTMENTS AND MARKETING QUOTAS

Estimated Number of Allotment Farms and Acreage Allotted by State

<u>State</u>	<u>Est. No. of Allot. Farms</u>	<u>1961 Acreage Allotment</u>	<u>1962 Acreage Allotment a/</u>
Alabama	7,248	40,332	43,432
Arizona	1,156	35,665	36,306
Arkansas	19,185	62,988	67,424
California	6,171	427,726	424,405
Colorado	22,370	2,662,998	2,644,541
Delaware	2,007	32,762	30,735
Georgia	22,634	111,395	110,448
Idaho	30,834	1,177,974	1,186,015
Illinois	137,923	1,442,835	1,438,974
Indiana	121,771	1,126,379	1,108,120
Iowa	15,319	128,851	123,266
Kansas	141,962	10,661,056	10,686,946
Kentucky	28,035	213,954	207,788
Maryland	14,637	175,370	171,158
Michigan	118,619	958,637	954,474
Minnesota	59,283	719,031	724,762
Mississippi	2,762	42,079	45,403
Missouri	151,536	1,352,131	1,355,610
Montana	25,160	4,013,478	4,033,938
Nebraska	81,083	3,166,224	3,160,333
New Jersey	4,963	51,454	50,376
New Mexico	4,888	475,831	470,175
New York	38,463	321,829	318,471
North Carolina	79,688	292,908	288,536
North Dakota	73,859	7,375,765	7,445,333
Ohio	153,242	1,517,385	1,501,745
Oklahoma	84,318	4,869,786	4,885,906
Oregon	17,312	842,927	848,820
Pennsylvania	88,056	555,818	540,979
South Carolina	37,672	140,712	141,904
South Dakota	44,327	2,732,937	2,747,525
Tennessee	35,752	190,801	183,761
Texas	63,024	4,047,136	4,012,633
Utah	12,787	307,254	304,176
Virginia	49,823	252,155	245,462
Washington	17,907	2,013,247	2,027,326
West Virginia	6,430	36,064	33,846
Wisconsin	14,679	43,619	39,003
Wyoming	4,044	286,198	287,642
Noncommercial area	-	39,309	42,303
National Reserve	-	55,000	30,000
Total	1,840,929	55,000,000	55,000,000

a/ The farm allotments resulting from this acreage allotment were reduced by 10% pursuant to the provisions of the Agricultural Act of 1961.

A referendum must be held between the date of the issuance of the proclamation of the national marketing quota and July 25 to determine whether farmers favor or oppose such quota. Public Law 87-104 extended the time for conducting the referendum with respect to the 1962 crop of wheat from July 25 to August 26, 1961. In a referendum held August 24, 1961, 79.4% of the farmers voting favored marketing quotas on the 1962 crop of wheat.

The national acreage allotment (less a reserve of not to exceed one percent thereof) is apportioned among States on the basis of the acreage seeded for the production of wheat during the 10 calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and for trends in acreage.

The State acreage allotment, less a reserve of not to exceed 3% thereof, is apportioned among the counties on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil conservation practices.

The allotment to the county is apportioned, through local committees, among farms on the basis of past acreage (four years) of wheat, tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3% of the county allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years preceding the marketing year in which the allotment is made.

The farm marketing quota is the actual production from the acreage planted to wheat on the farm less the farm marketing excess. The farm marketing excess is the normal yield times the excess acres but it may not exceed the difference between the actual production on the farm less normal production of the acreage allotment. The rate of penalty on wheat is 45% of the parity price per bushel on wheat as of May 1 of the calendar year in which the crop is harvested. The penalty may be avoided by (1) storing farm marketing excess in accordance with regulations established by the Secretary or (2) delivering such excess to the Secretary for his disposal. The farm marketing excess is subject to penalty even though it is used on the farm.

A wheat marketing quota is not applicable to any farm on which the acreage planted to wheat does not exceed 15 acres or the normal production of the acreage planted to wheat of the current crop is less than 200 bushels. Public Law 85-203 permits farmers whose acreage allotment is less than 30 acres to grow up to 30 acres of wheat for use exclusively on the farm where produced, without being liable for marketing quota penalties. If, for any marketing year, the acreage allotment for wheat for any State is 25,000 acres or less, the Secretary may designate such State as outside the commercial wheat-producing area for such marketing year.

Public Law 87-128 contains several provisions applicable to the 1962 wheat crop only which are discussed in the following pages.

COTTON ACREAGE ALLOTMENTS AND MARKETING QUOTAS (1,092 counties)

A national marketing quota must be proclaimed not later than October 15 whenever, during any calendar year, it is determined that the total supply exceeds the normal supply for upland cotton and whenever the total supply exceeds normal supply by more than 8% for extra long staple cotton.

Upland Cotton. On October 12, 1961, a national marketing quota of 15,714,000 bales and a national acreage allotment of 18,101,718 acres were announced for the 1962 crop.

The Agricultural Act of 1958 approved August 28, 1958, provides for a national acreage reserve of 310,000 acres, if needed, to be apportioned among States on the basis of the estimated needs of each State for additional acreage to establish minimum farm allotments under section 344(f)(1) of the Agricultural Adjustment Act of 1938, as amended. The national reserve is in addition to the national acreage allotment. For the 1962 crop, 100,000 acres were required to take care of minimum farm allotments.

The estimates used in determining the national acreage allotment and national marketing quota for the 1962 crop are as follows:

	<u>Marketing Year</u>	
	<u>1961-62</u>	<u>1962-63</u>
	<u>Estimate</u>	<u>Estimate</u>
	(Running bales or equivalent)	
<u>Total Supply</u>		
Carryover	6,801,000 <u>1/</u>	6,775,000 <u>3/</u>
Production	14,224,000 <u>2/</u>	14,375,000 <u>3/</u>
Imports	<u>50,000</u>	<u>50,000</u>
Total	21,075,000	21,200,000
<u>Normal Supply</u>		
Domestic consumption	8,600,000	8,800,000
Exports	<u>5,700,000</u>	<u>5,700,000</u>
Subtotal	14,300,000	14,500,000
Reserve for carryover (30%) ..	<u>4,290,000</u>	<u>4,350,000</u>
Total	18,590,000	18,850,000

1962 national quota (standard bales)	15,714,000
1957-60 national average planted yield per acre	419
1962 national acreage allotment	18,001,718
1962 national acreage reserve allocation	100,000
1962 total acreage allotment	18,101,718

- 1/ Carryover as reported by the Census Bureau, adjusted to exclude current crop ginnings prior to August 1 and excludes extra long staple cotton.
- 2/ October crop report estimate converted to running bales.
- 3/ Calculated production based on recent underplanting and yield trends.

Arizona	42,433
California	670
Florida	705
Georgia	157
New Mexico	19,681
Texas	34,455
Puerto Rico	2,192
Total	100,293

The estimates used in determining the national acreage allotment and national marketing quota for the 1962 crop are as follows:

	Marketing Year	
	1961=62	1962=63
	<u>Estimate</u>	<u>Estimate</u>
	(Running bales or equivalent)	
<u>Total Supply</u>		
Carryover August 1	120,200 <u>1/</u>	106,600
Production	63,800 <u>2/</u>	100,400 <u>3/</u>
		(102,800) <u>4/</u>
Imports <u>5/</u>	<u>85,600</u>	<u>85,600</u>
Total	269,600	292,600
<u>Normal Supply</u>		
Domestic consumption	155,000	178,000
Exports	<u>8,000</u>	<u>8,000</u>
Subtotal	163,000	186,000
Reserve for carryover (30%)	<u>48,900</u>	<u>55,800</u>
Total	211,900	241,800

- 1/ Bureau of Census reported carryover adjusted to exclude (1) current crop ginnings prior to August 1 and (2) about 14,200 bales of released stockpile cotton available for sale by CCC.
- 2/ October Crop Report estimate converted to running bales.
- 3/ Running bale equivalent of national marketing quota.
- 4/ National marketing quota (standard bales of 500 pounds gross weight) established under a special provision of law at 90% of 1959 quotas.
- 5/ Import quota is approximately 85,600 bales.

Not later than December 15 following the proclamation of quotas a referendum must be held to determine whether farmers favor or oppose such quotas. In referenda held December 12, 1961, 96.9% of the farmers voting favored quotas for the 1962 crop of upland cotton and 88.6 favored quotas for extra long staple cotton.

The national acreage allotment is apportioned to the States on the basis of the acreage planted to cotton (or regarded as planted) in the five calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State acreage allotment is apportioned to counties on the basis of the acreage planted to cotton (or regarded as planted) in the five calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State Committee is authorized to reserve not to exceed 10% (15% in the case of Oklahoma) of the State allotment for adjustments in county allotments due to trends in acreage, abnormal conditions affecting plantings, small or new farms, or to correct inequities in farm allotments and to prevent hardship.

The county acreage allotment, less the county reserve (not to exceed 15%) is apportioned to eligible old cotton farms (previous year's allotment) under section 344(f)(8) of the Act. Minimum farm allotments are authorized at the smaller of 10 acres or the 1958 acreage allotment established for the farm (effective beginning with the 1959 crop).

The reserve of not to exceed 15% is to be used for establishing "new" farm allotments and for adjusting "old" farm allotments.

The farm marketing quota is the actual production from acreage planted to cotton on the farm less the farm marketing excess. The farm marketing excess is the normal yield times excess acres, but it may not exceed the difference between the actual production on the farm less the normal production of the acreage allotment.

For upland cotton, the farm marketing excess is subject to a penalty at a rate equal to 50% of parity price as of June 15 of the calendar year in which the crop is produced and for extra long staple cotton the penalty rate is the higher of 50% of parity or 50% of support price.

RICE ACREAGE ALLOTMENTS AND MARKETING QUOTAS (157 counties)

On December 27, 1961, marketing quotas and a national rice acreage allotment of 1,817,856 acres were proclaimed for the 1962 crop of rice. This is 165,260 acres, or 10% above the allotment for 1961-crop rice. Unsettled world conditions, particularly in the rice-consuming and rice-producing areas, prompt the need for some increase in 1962-crop rice acreage in order to assure adequate rice supplies to meet export needs. Individual marketing quotas for farms staying within their acreage allotment will be the actual production from the farm acreage allotment. Producers who remain within their acreage allotments will be eligible for price support on their entire production.

Marketing quotas for rice must be proclaimed (not later than December 31) whenever the total supply for the preceeding marketing year exceeds the normal supply.

A referendum date was set for January 23, 1962 to determine producer approval or disapproval of quotas. In order to become effective, at least two-thirds of the farmers voting must favor quotas.

The national acreage allotment is that acreage which will, on the basis of the national average yield of rice for the five preceding calendar years, produce an amount of rice adequate, together with the estimated carryover from the marketing year ending in the calendar year then current, to make available a supply for the marketing year beginning in the next calendar year, not less than the normal supply.

Determination of Rice Normal Supply, Marketing Quota
Level, Total Supply and Supply Percentage

<u>Normal supply and marketing quota level</u>	<u>Thousand Cwts.</u>
1. Estimated domestic consumption, 1960-61	27,000
2. Estimated exports, 1961-62	30,000
3. Total (item 1 + item 2)	57,000
4. Allowance for carryover (10% of item 3)	5,700
5. Normal supply (item 3 + item 4)	62,700
6. Marketing quota level	62,700

Total supply and supply percentage

7. Carryover on August 1, 1961	10,079
8. Estimated production in 1961	53,659
9. Estimated imports, 1961-62	300
10. Total supply (item 7 + item 8 + item 9)	64,038
11. Supply percentage (item 10 ÷ item 5)	102.1

Determination of Normal Supply and National Rice Acreage Allotment

<u>Normal Supply a/</u>	<u>Thousand Cwts.</u>
1. Estimated domestic consumption, 1961-62	27,498
2. Estimated exports, 1962-63	32,239
3. Total (item 1 + item 2)	59,737
4. Allowance for carryover (10% of item 3)	5,974
5. Total (item 3 + item 4)	65,711
6. Estimated carryover on August 1, 1962	6,540
7. Indicated production needed in 1962 (item 5 - item 6)	59,171
8. National average yield per planted acre	3,376 lbs.
9. Indicated acreage allotment (item 7 ÷ item 8)	1,752,695 acres
10. The national acreage allotment for 1962 is	1,817,856 acres
(10% above the minimum statutory allotment of 1,652,596 acres set for the 1956 through 1961 crops of rice)	

a/ Normal supply is for the marketing year commencing in the calendar year for which the national acreage allotment is determined.

The State acreage allotment is apportioned in one of two ways:

1. To rice producers on the basis of past production of rice by the producer, taking into consideration the acreage allotments previously established for such producer (in the State), abnormal conditions affecting acreage, land, labor, and equipment available for the production of rice, crop-rotation practices, and the soil and other physical factors affecting the production of rice. Not more than 3% of the State acreage allotment is apportioned to persons who have not produced rice during any one of the past five years. The producer allotments so determined are assigned to farms on which the producers will be engaged in producing the crop of rice for which the allotments are established.

2. If the Secretary, upon recommendation of the State Committee determines that such action will facilitate the effective administration of the Act, the State acreage allotment is apportioned to farms on which rice has been produced during any one of such period of years on the basis of foregoing factors using past production of rice on the farm and the acreage allotments previously established for the farm in lieu of past production of rice by the producer and the acreage allotments previously established for such producers.

The farm marketing quota is the actual production on the farm less "farm marketing excess." The farm marketing excess is the normal production of the number of acres planted in excess of the farm acreage allotment, except that the farm marketing excess may not be larger than the amount by which the actual production on the farm exceeds the normal production of the farm acreage allotment if the producer furnishes proof of such actual production to the Secretary.

Whenever marketing quotas are in effect the producer is subject to a penalty on the farm marketing excess at a rate per pound equal to 65% of the parity price as of June 15, of the calendar year in which the crop is produced. In addition to receiving a penalty none of the production will be eligible for price support.

QUOTA PENALTY COLLECTIONS

The following table shows the cumulative marketing quota penalty collections which, except for refunds to producers, are deposited into the General Fund of the Treasury.

Summary of Cumulative Net Marketing
Quota Penalty Collections as of June 30, 1961

Marketing: Year	Tobacco	Peanuts	Wheat	Cotton	Rice	Total
1938-39	\$943,225.00:	-	-	\$218,382.38:	-	\$1,161,607.38
1939-40	-	-	-	518,628.98:	-	518,628.98
1940-41	672,010.20:	-	-	672,923.32:	-	1,344,933.52
1941-42	184,972.89:	\$14,110.13:	\$13,111,042.87:	2,009,036.69:	-	15,349,162.58
1942-43	422,393.90:	104,840.90:	2,037,182.66:	1,489,990.83:	-	4,054,408.29
1943-44	514,563.85:	-	-	-	-	514,563.85
1944-45	1,738,585.09:	-	-	-	-	1,738,585.09
1945-46	4,017,148.49:	-	-	-	-	4,017,148.49
1946-47	4,064,339.73:	-	-	-	-	4,064,339.73
1947-48	1,005,258.52:	-	-	-	-	1,005,258.52
1948-49	1,519,056.74:	-	-	-	-	1,519,056.74
1949-50	2,599,977.44:	139,243.25:	-	-	-	2,739,220.69
1950-51	3,890,715.22:	288,248.01:	-	904,579.29:	-	5,083,542.52
1951-52	4,635,274.05:	557,158.71:	-	-	-	5,192,432.76
1952-53	3,652,471.36:	137,817.65:	-	-	-	3,790,289.01
1953-54	3,128,650.67:	296,653.41:	-	-	-	3,425,304.08
1954-55	5,372,234.77:	137,384.55:	2,785,319.18:	525,959.58:	-	8,820,898.08
1955-56	821,348.51:	267,886.05:	5,680,977.06:	2,216,956.77:	\$45,359.05:	9,032,527.44
1956-57	429,284.12:	349,514.76:	7,277,771.62:	1,281,619.94:	24,502.73:	9,362,693.17
1957-58	329,995.63:	247,247.81:	12,302,940.33:	2,263,936.68:	75,761.70:	15,219,882.15
1958-59	215,445.26:	76,908.02:	9,542,646.81:	1,136,657.95:	124,317.27:	11,095,975.31
1959-60	121,845.51:	33,035.13:	746,948.11:	467,162.82:	39,574.95:	1,408,566.52
1960-61	81,082.86:	37,982.06:	469,594.55:	268,227.80:	29,227.21:	886,114.48
1961-62	-	-	23,229.81:	-	-	23,229.81
Total	40,359,879.81:	2,718,030.44:	53,977,653.00:	13,974,063.03:	338,742.91:	111,368,369.19

General

Public Law 87-33 amends section 378 of the Agricultural Adjustment Act of 1938 by authorizing the temporary release and reapportionment of pooled acreage allotments on lands acquired by agencies having the right of eminent domain.

Cotton

Public Law 87-37 amends the Agricultural Adjustment Act of 1938, as amended, to permit operators of farms with flooded-out cotton acreage to transfer all or part of that acreage allotment, with the permission of the county committee, to another farm in the same or an adjoining county operated by the same farmer. This is an emergency measure which applied to the 1961 crop only.

Wheat

Public Law 87-128. Principal provisions applicable to the 1962 wheat crop (unless otherwise indicated) are: (1) all farm allotments were reduced 10 per centum from allotments determined on the basis of a national allotment of 55 million acres, (2) the penalty rate was increased from 45 per centum to 65 per centum of parity, and the farm marketing excess was based on twice the normal yield times the excess acres. (3) the farm exemption was decreased from 15 acres to the smaller of 13.5 acres, or the highest wheat acreage on the farm in any of the years 1959, 1960, or 1961, (4) no producer who did not have wheat acreage in excess of 13.5 acres in at least one of the years 1959, 1960, or 1961 would be eligible to vote in the referendum on the 1962 crop, and (5) durum allotments for the 1962 - 1964 crops in counties designated by the Secretary should be increased if necessary to meet demands other than subsidized exports. The 200-bushel farm exemption was permanently repealed effective with 1962 wheat crop.

Public Law 87-357 extends for two additional years, 1962 and 1963, the temporary provisions of law authorizing additional durum wheat (class II) acreage allotments in the Tulalake area of California which have been in effect each year since 1958. Under such legislation additional durum wheat allotment acreage is made available to farms in the area in an amount sufficient to provide a total of 8,000 acres for the area. This additional acreage is in addition to the national, State, county, and farm allotments otherwise established under the permanent provisions of law.

Tobacco

Public Law 87-200 authorizes, for the crop years 1962 and 1963, the owner and operator of any farm for which a tobacco acreage allotment (other than a burley tobacco acreage allotment) is established to lease any part of the allotment to any other owner or operator of a farm having a current tobacco allotment of the same kind, subject to certain limitations. These limitations provide that both farms involved must be in the same county and the

lease must be filed with the county committee; adjustments will be made according to the normal yield of the farm from which the transfer is being made in relation to that of the recipient farm; only five acres of an allotment may be leased and transferred to any other farm; only farms with tobacco allotments for the same kind of tobacco are eligible to lease allotments; and the acreage is considered as having been produced on the farm from which the allotment is transferred for purposes of future allotments and referendum voting rights. In the case of Maryland (type 32) tobacco, no farm shall be eligible for lease of allotment from the farm unless at least 75 percent of the allotment for the farm was actually planted during each of the years 1960 and 1961.

* * * * *

The Agricultural Stabilization and Conservation Service, as a part of its regular activities, is responsible for part of the continuing activities of the Department in the area of preparedness measures relating to food and the domestic distribution of farm equipment and supplies. Such work, financed from this appropriation, includes periodic evaluation of requirements and supplies of food (including fibers, tobacco, and oilseeds) and supporting nonfood materials and facilities. Work also includes analyses to determine the ability of the United States to supply necessary food in an emergency period and to point out problem areas.

(b) Sugar Act Program

Appropriation Act, 1962 and base for 1963	\$78,000,000
Budget Estimate, 1963	<u>80,000,000</u>
Increase (for payments to sugar producers due to increased sugar production)	<u>+2,000,000</u>

PROJECT STATEMENT

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
1. Payments to sugar producers:				
a. Continental beet area:	\$40,398,791	\$41,615,950	+2,630,350	\$44,246,300
b. Continental cane area:	8,167,754	10,067,538	+650,791	10,718,329
c. Offshore cane area .	23,453,455	23,966,512	-1,281,141	22,685,371
Total payments	72,020,000	75,650,000	+2,000,000	77,650,000
2. Operating expenses ...	2,480,000	2,350,000	- -	2,350,000
Total appropriation or estimate	74,500,000	78,000,000	+2,000,000(1)	80,000,000

Under existing legislation, the Sugar Act terminates June 30, 1962. The sugar situation is being studied with a view toward developing legislative proposals relating to extension of the Act. The estimates cover payments and operating costs on the 1962 crop under existing legislation. The amount of payments required on the 1962 crop will be determined by actual production which may vary from these estimates.

INCREASES AND DECREASES

(1) The increase of \$2,000,000 in payments is composed of:

(a) An increase of \$2,630,350 for conditional payments to producers in the domestic beet area. Domestic beet sugar area production from the 1962 crop is estimated at 2,800,000 short tons, raw value, which is 275,000 tons more than the 1961 crop is expected to produce. Pending a decision on proportionate shares (acreage allotments) with respect to the 1962 beet crop, the 1962 crop estimate is in line with anticipated sugar production.

(b) An increase of \$650,791 for payments to producers in the mainland cane area. Production from the 1962 crop in the mainland cane sugar area is estimated at 900,000 tons which is 134,000 tons more than the 1961 crop estimate. The 1962 crop estimate represents a production level in line with anticipated sugar quota and carryover stock requirements for the area.

(c) A decrease of \$1,281,141 for payments to producers in the offshore cane area. This is comprised of:

1. An increase of \$1,026,190 for Hawaii. The 1962 crop production is estimated at 1,200,000 tons which is 110,000 tons higher than the area's 1961 crop production estimate and in line with its probable 1962 sugar quota and carryover inventory requirements.
2. A decrease of \$26,140 for Virgin Islands. The 1962 crop in the Virgin Islands is estimated at 15,000 tons which is 2,000 tons less than the area's 1961 crop production and slightly less than the Island's probable 1962 quota.
3. A decrease of \$2,281,191 in payments to Puerto Rico sugar producers. On the basis of estimated production of 1,200,000 tons from the 1962 crop, payments of \$16,947,600 will be earned during the fiscal year 1963. To this is added \$11,294,521 for payments on the 1961 crop estimated to remain unpaid as of June 30, 1962, making requirements for payments for the fiscal year 1963 total \$28,242,121. The estimates provide \$11,294,521 to complete payment on the 1961 crop and nothing for payments on the 1962 crop. This is a decrease of \$2,281,191 below the \$13,575,712 to be paid to producers from fiscal year 1962 funds on the 1960 and 1961 Puerto Rican crops. As a result, payments of \$16,947,600 on the 1962 crop will be deferred until the fiscal year 1964.

Total sugar production from the 1962 crops in the domestic areas is estimated at 6,115,000 short tons, raw value. This is an increase of 567,000 tons over the estimated total production from the 1961 crops. Production estimates for the 1962 crop are based upon an analysis and consideration of the following factors: (a) Statistical Reporting Service crop reports; (b) effective inventory of sugar on January 1, 1961; (c) probable production and consumption of sugar during 1961; (d) prospective effective sugar inventory on January 1, 1962; (e) prospective level of consumers sugar requirements for the calendar year 1962; and (f) quota provisions of the Sugar Act. To estimate payment requirements for the 1962 crop, estimated area production was multiplied by the weighted average rate of payment per ton of sugar produced from the crops of 1955 through 1959, except for Hawaii and the Virgin Islands. For Hawaii, 1960 crop data were included and 1958 data excluded in computing the five-year average payment rate. For the Virgin Islands a four-year average rate was computed from data for the 1955, 1956, 1957, and 1959 crops. The conditions affecting the 1958 Hawaiian and the 1958 and 1960 Virgin Islands crops were so abnormal that inclusion of such data in the base would result in unrealistic average rates.

The number of payees under the Sugar Act program is shown in Table I. The estimate for the 1962 crop program compared with prior year data by areas on tonnage, production, total payments and average payments per ton is shown in Table II. The method of financing payments to producers and operating expenses is shown by crop years and fiscal years in Table III.

(b) Sugar Act Program

Appropriation Act, 1962 and base for 1963	\$78,000,000
Budget Estimate, 1963	<u>80,000,000</u>
Increase (for payments to sugar producers due to increased sugar production)	<u>+2,000,000</u>

PROJECT STATEMENT

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
1. Payments to sugar producers:				
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b. Continental cane area:	8,167,754	10,067,538	+650,791	10,718,329
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Total payments	72,020,000	75,650,000	+2,000,000	77,650,000
2. Operating expenses ...	2,480,000	2,350,000	- -	2,350,000
Total appropriation or estimate	74,500,000	78,000,000	+2,000,000(1)	80,000,000

Under existing legislation, the Sugar Act terminates June 30, 1962. The sugar situation is being studied with a view toward developing legislative proposals relating to extension of the Act. The estimates cover payments and operating costs on the 1962 crop under existing legislation. The amount of payments required on the 1962 crop will be determined by actual production which may vary from these estimates.

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NUMBER OF PAYEES

Table I

Area	1960	1961	1962
	Crop	Crop (est.)	Crop (est.)
Continental sugar beet area.....	41,000	41,500	42,000
Continental sugar cane area.....	6,000	6,200	6,000
Hawaii.....	1,025	1,050	900
Puerto Rico.....	17,000	17,500	15,000
Virgin Islands.....	300	325	220
Total.....	65,325	66,575	64,120

Sugar Program Data 1960-1962 Crop Years

Table II

<u>Area</u>	<u>1961</u> <u>Fiscal Year</u> <u>(1960 Crop Year)</u> <u>(Actual)</u>	<u>1962</u> <u>Fiscal Year</u> <u>(1961 Crop Year)</u> <u>(Estimated)</u>	<u>1963</u> <u>Fiscal Year</u> <u>(1962 Crop Year)</u> <u>(Estimated)</u>	<u>Increase (+)</u> <u>or Decrease (-)</u> <u>1962 Crop</u> <u>Compared with</u> <u>1961 Crop</u>
<u>Beet Area</u>				
Tons produced	2,474,000	2,525,000	2,800,000	+275,000
Total payments	\$40,377,521	\$41,596,850	\$46,127,200	+\$4,530,350
Payment per ton	\$16.321	\$16.474	\$16.474	- -
<u>Mainland Cane Area</u>				
Tons produced	630,000	766,000	900,000	+134,000
Total payments	\$8,167,754	\$10,067,538	\$11,828,700	+\$1,761,162
Payment per ton	\$12.965	\$13.143	\$13.143	- -
<u>Hawaii</u>				
Tons produced	936,000	1,090,000	1,200,000	+110,000
Total payments	\$8,779,433	\$10,168,610	\$11,194,800	+\$1,026,190
Payment per ton	\$9.380	\$9.329	\$9.329	- -
<u>Puerto Rico</u>				
Tons produced	1,110,000	1,150,000	1,200,000	+50,000
Total payments	\$15,535,968	\$16,241,450	\$16,947,600	+\$706,150
Payment per ton	\$13.996	\$14.123	\$14.123	- -
<u>Virgin Islands</u>				
Tons produced	7,000	17,000	15,000	-2,000
Total payments	\$124,897	\$222,190	\$196,050	-\$26,140
Payment per ton	\$17.842	\$13.070	\$13.070	- -
<u>Total</u>				
Tons produced	5,157,000	5,548,000	6,115,000	+567,000
Total payments	\$72,985,573	\$78,296,638	\$86,294,350	+\$7,997,712
Payments per ton	\$14.153	\$14.113	\$14.112	-\$.001

Table III

Program Year	Fiscal Year Appropriation			Total
	1961	1962	1963	
<u>1959 Sugar Program</u>				
<u>Payments to producers:</u>				
<u>Puerto Rico (1959-1960)</u>	<u>\$7,641,940</u>			<u>\$7,641,940</u>
<u>1960 Sugar Program</u>				
<u>Payments to producers:</u>				
Continental sugar beet area	40,398,791			40,398,791
Continental sugar cane area	8,167,754			8,167,754
Hawaii	8,779,433			8,779,433
<u>Puerto Rico (1960-1961)</u>	<u>6,907,185</u>	<u>\$8,628,783</u>		<u>15,535,968</u>
<u>Virgin Islands</u>	<u>124,897</u>			<u>124,897</u>
<u>Total, 1960 payments</u>	<u>64,378,060</u>	<u>8,628,783</u>		<u>73,006,843</u>
<u>1961 Sugar Program</u>				
<u>Payments to producers:</u>				
Continental sugar beet area	41,615,950			41,615,950
Continental sugar cane area	10,067,538			10,067,538
Hawaii	10,168,610			10,168,610
<u>Puerto Rico (1961-1962)</u>	<u>4,946,929</u>	<u>\$11,294,521</u>		<u>16,241,450</u>
<u>Virgin Islands</u>	<u>222,190</u>			<u>222,190</u>
<u>Total, 1961 payments</u>	<u>67,021,217</u>	<u>11,294,521</u>		<u>78,315,738</u>
<u>1962 Sugar Program</u>				
<u>Payments to producers:</u>				
Continental sugar beet area	44,246,300			46,146,300
Continental sugar cane area	10,718,329			11,828,700
Hawaii	11,194,800			11,194,800
<u>Puerto Rico (1962-1963)</u>	<u>196,050</u>	<u>16,947,600</u>		<u>16,947,600</u>
<u>Virgin Islands</u>	<u>66,355,479</u>			<u>196,050</u>
<u>Total, 1962 payments</u>	<u>77,650,000</u>		<u>19,957,971</u>	<u>86,313,450</u>
<u>Total program payments</u>	<u>72,020,000</u>	<u>75,650,000</u>		
<u>Operating expenses</u>	<u>2,480,000</u>	<u>2,350,000</u>		
<u>Total, appropriation or estimate</u>	<u>74,500,000</u>	<u>78,000,000</u>		

STATUS OF PROGRAM

Extension of the Sugar Act

Public Law 86-592, approved July 6, 1960, extended the Sugar Act of 1948, as amended, through March 31, 1961, with authority conferred on the President to determine Cuba's sugar quota for the balance of 1960 and the first three months of the calendar year 1961 and to obtain replacement supplies, as prescribed, in the event of a reduction in Cuba's quota.

Public Law 87-15, approved March 31, 1961, extended the Sugar Act of 1948 through June 30, 1962, and provided for payments to domestic sugar beet and sugarcane producers through the crop year 1962. In addition, the public law continued the President's authority to determine the Cuban quota; relieved the President of any obligation to purchase any part of the Cuban quota replacement sugar from any country with which the United States is not in diplomatic relations; and provided that in allocating sugar purchases to countries not specified in the statute, special consideration be given to countries of the Western Hemisphere, and to those countries purchasing United States agricultural commodities.

Sugar Requirements and Quotas

The Sugar Act provides that the Secretary of Agriculture shall determine each year consumer's requirements of sugar for the succeeding year and make such revisions of the initial estimate as necessary.

The requirements or total quotas for the calendar year 1960 had been initially established, on December 17, 1959, at 9,400,000 short tons, raw value. On July 8, 1960, quotas were increased to 9,600,000 tons; on July 15, 1960 to 10,000,000 tons; and on August 1, 1960 to the final level of 10,400,000 tons. These actions were taken to provide a flow of sugar supplies adequate to meet the requirements of consumers and at reasonable prices.

On July 6, 1960, following his approval of Public Law 86-592, the President issued a proclamation reducing Cuba's 1960 sugar quota by 700,000 tons and delegating to the Secretary of Agriculture, with the concurrence of the Secretary of State, the authority to make non-quota sugar purchases necessary to replace sugar not taken from Cuba. In actions taken on July 14, July 21, August 2, and September 23, 1960, the Secretary of Agriculture, with the concurrence of the Secretary of State, authorized the total purchase of 1,200,000 tons of non-quota sugar for importation during calendar year 1960. Of this total quantity 321,857 tons were authorized for purchase from the Dominican Republic subject to an entry fee of 2 cents per pound, payable to the U. S. Government.

Consumers' sugar requirements for the calendar year 1961 were determined to be 10,000,000 short tons, raw value, on December 16, 1960. At the same time, sugar quotas were established for the first quarter only since sugar legislation was then due to expire March 31, 1961. Public Law 87-15, extending the Sugar Act through June 30, 1962, was signed by the President on March 31, 1961 and on April 1 the Secretary of Agriculture established sugar quotas totaling 6,702,805 tons, for domestic and foreign areas except Cuba, for the full calendar year 1961. The level of consumers' sugar requirements remained at 10,000,000 tons at the end of the fiscal year.

Presidential proclamations were issued on December 16, 1960 and March 31, 1961, determining Cuba's sugar quota to be zero for the first quarter and for the full calendar year 1961, respectively. The delegation of authority to the Secretaries of Agriculture and State was continued with regard to the acquisition of replacement supplies. This authority was exercised on December 22, 1960 when the purchase of 824,299 tons of non-quota sugar was authorized for importation during the three-month period ending March 31, 1961. Of this amount 222,723 tons were authorized for purchase from the Dominican Republic conditioned upon the payment of an entry fee of 2-1/4 cents per pound.

Additional purchases of 1,263,776, 1,009,120, and 150,000 tons of non-quota sugar for importation during the April-December 1961 period, were authorized on April 14, June 1, and June 30, 1961, respectively. These actions, together with 824,299 tons authorized for purchase in the first quarter, and quotas totaling 6,702,805 tons, brought to a total of 9,950,000 tons the quantity of sugar authorized for marketing and importation in 1961. Fifty thousand tons of the total sugar requirements, determined at 10,000,000 tons for calendar year 1961, had not been allocated, as of June 30, 1961.

On October 13 and 23, 1961, actions were taken reducing the 1961 non-quota sugar authorizations for purchase by 30,000 and 100,000 tons, respectively, to maintain prices fair to the domestic sugar industry.

Sugar quotas and non-quota purchase allocations for the calendar years 1960 and 1961 are shown in the following table:

Production Area	: 1960 Quotas : Final	: 1961 Quotas : as of 11/1/61
	: Short tons	: Raw value
Domestic beet sugar	: 2,514,945	: 2,609,170
Mainland cane sugar	: 773,873	: 715,000
Hawaii	: 1/ 940,444	: 1,030,000 2/
Puerto Rico	: 1/ 893,620	: 980,000 2/
Virgin Islands	: 1/ 8,618	: 17,330
Philippines	: 980,000	: 980,000
Cuba	: 2,419,655	: 0
Other foreign countries	: 432,945	: 371,305
Total quotas	: 8,964,100	: 6,702,805
Authorized non-quota purchase allocation:		
under Sec. 408 (b) of the Act	: 1,200,000	: 3,117,195
Non-quota purchase sugar not authorized:	: 235,900	: 180,000
Total	: 10,400,000	: 10,000,000

1/ Adjusted for deficits. Unadjusted quotas were: Hawaii, 1,265,375; Puerto Rico, 1,323,111; and the Virgin Islands, 18,043 short tons, raw value.

2/ Adjusted for deficits. Unadjusted quotas were: Hawaii, 1,215,410 and Puerto Rico, 1,270,865 short tons, raw value.

Requirements and Quotas for Local Consumption - Hawaii and Puerto Rico.

The Sugar Act also requires the Secretary of Agriculture to determine sugar requirements for local consumption in Hawaii and Puerto Rico. Accordingly, on December 27, 1960, sugar requirements of consumers in Hawaii and Puerto Rico were determined to be 45,000 and 120,000 short tons, raw value, respectively, for the calendar year 1961. Also, local consumption quotas of 11,250 tons for Hawaii and 30,000 tons for Puerto Rico were established for the three-month period ending March 31, 1961. On April 1, 1961, local quotas for Hawaii and Puerto Rico were established at 45,000 and 120,000 tons, respectively, for the full calendar year 1961 and on December 6, 1961 Puerto Rico's local consumption quota was increased to 130,000 tons. Final local quotas for 1960 had been 45,000 tons for Hawaii and 115,000 tons for Puerto Rico.

Domestic Sugar Prices

Domestic sugar prices were relatively stable in the 1961 fiscal year. The price of raw sugar, duty paid, at New York, was 6.37 cents per pound on July 1, 1960 and 6.42 on June 30, 1961, while the average price for the year was also 6.42. The monthly average price ranged from a high of 6.56 in September 1960 to a low of 6.25 in March and April 1961.

The wholesale price of refined cane sugar at New York averaged 9.47 cents per pound in July 1960 and 9.55 in June 1961, while the average price for the fiscal year was 9.56. A price of 9.40 prevailed from July 5 to July 25, 1960, when it rose to 9.70. The price returned to 9.40 on December 1, 1960 and then went to 9.55 on January 3, 1961, to remain there until April 11 when it returned again to 9.40. On May 31, 1961, the price rose to 9.55 the prevailing price through June 30, 1961.

Marketing Allotments

Section 205 (a) of the Act provides that the quota for an area shall be allotted to persons who market or import sugar when found necessary to insure orderly marketing and to afford interested persons an equitable opportunity to market sugar within such quota.

For the calendar year 1960, only the direct-consumption portion of the Mainland quota for Puerto Rico was allotted. A recommended decision and proposed order for the domestic beet sugar area was issued in June 1960. On August 18, 1960, the Secretary announced that allotment of the sugar quota for the domestic beet sugar, as well as the mainland cane area, was unnecessary.

A public hearing was held in August, 1961 regarding allotment of the 1961 quota for the domestic beet sugar area. The hearing record showed that the supply of beet sugar available for marketing in 1961 was sufficiently in excess of the area's 1961 quota to cause disorderly marketing and to prevent some interested persons from having equitable opportunities to market sugar unless the quota was allotted. Consequently, an allotment order regulating the marketing of sugar within the quota for the domestic beet sugar area was issued in September and became effective October 5, 1961. On November 6, 1961, the allotments for domestic beet sugar processors were revised slightly for the purpose of substituting final data for estimated data previously used in the allotment method.

Since total Puerto Rican supplies in 1961 are less than the Island's 1961 sugar quotas, it was not necessary to restrict marketings of Puerto Rican sugar except for sugar shipped to the U. S. mainland for direct consumption. Allotments governing such sugar became effective January 1, 1961, for the period January - March, 1961 and April 1, 1961, for the calendar year 1961.

Payments to Producers

Payments are made to domestic producers of sugar beets and sugarcane who comply with certain requirements with respect to proportionate shares (acreage allotments), non-employment of child labor, payment of fair and reasonable wages and, in the case of processor-producers, the payment of fair and reasonable prices for sugar beets or sugarcane purchased from other producers.

Pursuant to Title III of the Sugar Act of 1948, conditional payments on the 1960 crops totaling \$72,985,573 were made to about 65,325 sugar beet and sugarcane producers in 24 States, Puerto Rico and the Virgin Islands. (Table I)

Proportionate Share Determinations (Acreage Allotments)

Proportionate shares for sugar beet and sugarcane farms are established for each crop since the marketing of sugar beets or sugarcane within such shares constitutes one of the conditions of payment. Restrictive proportionate shares are required in any area when the indicated sugar production is greater than the quantity needed to fill the quota and provide a normal carryover inventory for such area.

A determination issued October 18, 1960, established 1961-crop proportionate shares for farms in the beet sugar area on a nonrestrictive basis, thus permitting the marketing for sugar of all acreage planted to sugar beets on each farm. This action was taken to enable processors to meet marketing opportunities, to build sugar stocks up to a more normal level, and to promote adjustments of sugar beet acreages within factory areas to a level more in line with factory capacities.

A determination issued October 30, 1961, established 1962-crop proportionate shares for sugarcane farms in the mainland cane sugar area (Louisiana and Florida) on a nonrestrictive basis, thus permitting the marketing for sugar or seed of all sugarcane on each farm. It is the third successive year of nonrestrictive sugarcane marketings for the area.

A determination issued November 25, 1960, established 1960-61-crop proportionate shares for sugarcane farms in Puerto Rico at the level of actual marketings, because the Island's indicated sugar supplies appeared inadequate to fill its marketing quotas and provide a normal carryover. It is the fifth straight year of nonrestrictive sugarcane marketings for the area.

The proportionate share determination for the Virgin Islands had been placed on a continuing nonrestrictive basis in July 1954. This determination established proportionate shares for each farm in the area at the actual level of production. Subsequent crop production has not required the imposition of restrictions.

The determination issued in June 1955, applicable to the 1955 and subsequent crops, established proportionate shares for farms in Hawaii at the actual level of production. However, the proportionate share for the farm of any processor-producer is conditioned upon the maintenance of the existing relationship between the acreage of sugarcane cultivated by the processor-producer and the acreage cultivated by independent growers.

PAYMENTS UNDER THE SUGAR ACT OF 1948 AND NUMBER OF PAYEES IN THE
DOMESTIC SUGAR PRODUCING AREAS - CROP YEARS 1959 and 1960 1/

TABLE I

Payments and Payees	Mainland		Hawaii	<u>2/</u> Puerto Rico		Virgin Islands	Total
	Domestic Beet Sugar Area	Cane Sugar Area					
DOLLARS							
Payments on sugar beets or sugarcane:							
1959	38,492,195	7,617,862	9,292,791	14,025,879	163,876	69,592,603	
1960	39,653,931	8,053,368	8,749,471	15,149,476	95,937	71,702,183	
Abandonment and deficiency payments:							
1959	414,661	275,037	0	181,742	0	871,440	
1960	723,590	114,386	29,962	386,492	28,960	1,283,390	
Total Payments:							
1959	38,906,856	7,892,899	9,292,791	14,207,621	163,876	70,461,013	
1960	40,377,521	8,167,754	8,779,433	15,535,968	124,897	72,985,578	
NUMBER							
Payees:							
1959	40,673	5,712	935	16,550	266	64,136	
1960	41,000	6,000	1,025	17,000	300	65,325	

1/ Preliminary

2/ 1959-60 and 1960-61 crop

Excise and Import Taxes

The Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct consumption. The excise tax on sugar, under Public Law 87-15, was extended to December 31, 1962.

The following table shows taxes collected compared with obligations under the sugar program:

Fiscal Year	Sugar Tax Collections			Total Obligations
	Excise Tax	Import Tax	Total	
1938	\$30,569,130:	\$2,680,298:	\$33,249,428:	\$22,080,599
1939	65,414,058:	3,494,627:	68,908,685:	52,460,654
1940	68,145,358:	5,456,207:	73,601,565:	47,212,400
1941	74,834,839:	4,859,760:	79,694,599:	47,677,678
1942	68,229,803:	4,088,963:	72,318,766:	47,869,513
1943	53,551,777:	3,520,064:	57,071,841:	55,638,374
1944	68,788,910:	5,097,940:	73,886,850:	54,818,026
1945	73,293,966:	3,552,414:	76,846,380:	52,361,159
1946	56,731,986:	3,231,592:	59,963,578:	48,418,425
1947	59,151,922:	5,115,447:	64,267,369:	53,343,849
1948	71,246,834:	3,284,502:	74,531,336:	54,797,108
1949	76,174,356:	4,698,867:	80,873,223:	71,880,810
1950	71,188,029:	4,091,155:	75,279,184:	59,935,494
1951	80,191,884:	3,613,479:	83,805,363:	63,684,105
1952	78,473,191:	3,621,210:	82,094,401:	69,813,289
1953	78,129,860:	5,005,959:	83,135,819:	64,929,566
1954	73,885,000:	4,498,368:	78,383,368:	59,630,519
1955	78,512,000:	4,177,097:	82,689,097:	59,600,000
1956	82,894,000:	4,806,321:	87,700,321:	59,600,000
1957	86,091,000:	4,305,501:	90,396,501:	67,600,000
1958	85,911,000:	4,957,798:	90,868,798:	67,662,500
1959	86,378,000:	5,683,187:	92,061,187:	76,000,000
1960	89,856,000:	5,099,473:	94,955,473:	71,500,000
1961	91,818,000: 1/	2,800,000:	94,618,000:	74,500,000
Subtotal	1,749,460,903:	101,740,229:	1,851,201,132:	1,403,014,068
1962 (Est)	94,000,000:	3,000,000:	97,000,000:	78,000,000
1963 (Est)	95,500,000: 2/	183,000,000:	278,500,000:	80,000,000
Total	1,938,960,903:	287,740,229:	2,226,701,132:	1,561,014,068

Tax collections exceed total program obligations in the amount of \$448,187,064 for fiscal years 1938 through 1961.

1/ Estimated.

2/ In addition, the 1963 Budget indicates that legislation to be proposed would increase 1963 estimated receipts by \$180 million. Under this legislation the difference between the Domestic and world price of sugar, which is currently received by foreign suppliers of sugar, would be retained by the United States to the extent permitted by existing international agreements.

Fair Wage and Price Determinations

The Sugar Act requires that the Secretary establish fair and reasonable wages for fieldworkers and fair prices for sugarcane and sugar beets after investigation and public hearings. Determinations of wages and prices are issued annually for the sugar beet area and the Virgin Islands. For Louisiana, Florida, Puerto Rico, and Hawaii, fair price determinations are issued annually, but the wage determinations for these areas have been placed on a continuing basis or until amended, superseded, or terminated. (Louisiana and Florida in 1959, Puerto Rico in 1957, and Hawaii in 1954).

During the 1961 fiscal year the 1961-crop wage determination issued for the beet area consolidated the 1960 determinations which were applicable to specific regions of the sugar beet area. The minimum hourly rate was increased to 85 cents for specified hand labor operations, the hand labor operations for which piecework rates are established were redesignated and redefined and the piecework rates for two operations were increased. The minimum hourly rate of 85 cents represents an increase of 5 cents per hour in northern California and 10 cents per hour in the Imperial Valley of California and in regions other than California.

On September 27, 1960, following a public hearing in July, the Secretary issued a notice of continuation of fair and reasonable wage rates for fieldworkers in Louisiana. Wage rates and other requirements for harvesting the 1960 crop, and for production and cultivation work during the calendar year 1961, are the same as in the wage determination issued in October 1959.

Fair price determinations for sugarcane and sugar beets were issued for each of the respective domestic producing areas and in the case of Hawaii two crop determinations were issued. The determinations continued the provisions of the prior determinations in all major respects except as follows:

For Puerto Rico, the sharing relationship between processors and producers was adjusted so that producers will share in the total net molasses proceeds instead of sharing only in the net proceeds in excess of 5 cents per gallon. The increase in molasses returns will compensate producers for the estimated loss in sugar returns from processors resulting from the discontinuance of spot price quotations of the No. 6 domestic contract (bagged sugar) by the New York Coffee and Sugar Exchange and the substitution of price quotations under the No. 7 contract (bulk sugar) and will more nearly balance the sharing relationship between processors and producers.

The Virgin Islands' determination provided that payments for sugarcane are to be based on price quotations under the No. 7 contract instead of the No. 6 contract which has been discontinued. The molasses payment to producers will be based on 10.75 cents per gallon instead of 10 cents.

An amendment to the 1960-crop Florida price determination was issued to provide that the price of raw sugar for the period February 2, 1961 through the last month during which the last sugar produced from 1960 crop sugarcane was sold, would be determined on the basis of the daily spot quotations for sugar deliverable under the No. 7 domestic contract (bulk sugar), adjusted to a bagged sugar price by adding .04 cent per pound to such bulk sugar price. This action was necessary because of the discontinuance of the price quotations under the No. 6 contract by the Exchange.

During the fiscal year, investigations of problems related to wage and price determinations were conducted in all domestic producing areas prior to public hearings in such areas. Also, a field study was conducted of labor performance in hoeing, hoe trimming, and blocking and thinning sugar beets under various field conditions to appraise the effectiveness of the designated piecework operations and rate structure and to obtain data to be used in developing subsequent beet wage determinations.

Studies, Surveys, and Reports

During the fiscal year 1961 a report was completed of costs, returns, profits, investment, and man-hours in sugarcane production and sugar processing by Hawaiian plantations for the 1955-57 crops. Reports were completed for sugarcane production and raw sugar processing for Puerto Rico and Louisiana and another was substantially completed for Florida, all three studies covering the crops from 1956 to 1958. The last quarter of the farm survey work and substantially all of the processor field work was accomplished for a study of sugar beet production costs for the 1959 crop and beet sugar processing costs for the 1957-59 crops. Also much of the summarization of the beet production phase was done.

A special study was made of techniques currently employed by the Hawaiian industry and improved methods proposed by that industry for evaluating the quantity and quality of sugarcane delivered to the sugar mills. These practices affect prices to growers from processors and Sugar Act payments.

A revision of Statistical Bulletin No. 214, "Sugar Statistics and Data Compiled in the Administration of the U. S. Sugar Acts," was nearing completion at the end of the year. Sugar Reports, the monthly publication of the Sugar Division, was issued throughout the 1961 fiscal year. This publication contains the latest available statistics and data on the domestic movement, supply and price situation, analyses of domestic and world market situations and of current problems of interest to domestic producers and consumers.

International Sugar Agreement

As of June 30, 1961, a total of 38 countries had signed the International Sugar Agreement. Membership comprised 10 importing and 28 exporting countries which together accounted for approximately 90 percent of the world free market commerce in sugar. Two additional countries, Paraguay (exporter) and Nigeria (importer) had made formal application for accession to the Agreement. Also, India, which had been assigned a basic export tonnage, is expected to deposit its Instrument of Accession with the Depository Government during calendar year 1961.

During the fiscal year 1961 Cuban sugar sales in the U. S. market were negligible as on July 6, 1960, the President reduced Cuba's quota for calendar year 1960 to about the level of shipments as of that date. Also, in a subsequent action, Cuba's U. S. quota for the calendar year 1961 was set at zero. Meanwhile, Cuba was enlarging her sugar sales in the world market, trading substantial quantities of sugar to Communist bloc countries under barter agreements. In recognition of the changed structure of the market, the Council permitted Cuba a tolerance for excess exports over and above her world quota equal to the reduction in Cuba's marketing opportunity in the U. S. market.

The Council took constructive actions throughout the fiscal year to keep world free market requirements and supplies in balance and to otherwise maintain stability in world sugar prices. The average world price of raw sugar was 3.19 cents per pound for the fiscal year, compared to 2.97 for fiscal year 1960. The monthly average price ranged from a low of 2.97 (February and March 1961) to a high of 3.35 (May 1961). However, the very large 1960 European crop of beet sugar caused many European countries to offer refined beet sugar at low prices and toward the end of the fiscal year European refined sugar was freely offered at less than raw sugar prices.

The International Sugar Agreement was renegotiated at a conference called by the United Nations held in Geneva beginning September 12, recessed October 23, and reconvened from December 7, to December 15, 1961. At the conference the Council failed to agree on quotas and therefore the agreement will be continued for 1962 and 1963 without quotas and those parts of the program that will be inoperative as a result of the absence of basic export tonnages and export entitlements. A preparatory committee, of which the U. S. is a member, worked for more than a year developing basic information on world production and consumption trends for the next few years as well as the operations of the Agreement and its effect on stabilizing world prices. A large number of countries that formerly imported sugar are now energetically developing a program of sugar production in order to become self-sufficient and thus save foreign exchange. This poses a serious problem for those countries dependent on the exportation of sugar.

Delegations from the United States attended all meetings of the Council and its standing Committees during the fiscal year. Also, data relating to production, supplies, and imports of the U. S. were furnished to the Council monthly.

Field Administration of Program

On the mainland, the Sugar Program is administered in the counties by elected Agricultural Stabilization and Conservation county and community committeemen and in the States by State Agricultural Stabilization and Conservation Committees composed of resident farmers appointed by the Secretary. In the domestic offshore areas, the program is administered under the supervision of the Directors of ASCS offices.

Administrative expense allocations to States and the Caribbean Area office are based on workload data for the previous year adjusted to reflect any contemplated changes in program operations.

Workload Data

Tables II and III summarize workload data in connection with the 1961 crop (fiscal year 1962).

TABLE II

Sugar Act Program (Beet)
Estimated Workload Data for the 1961 Crop

STATE	ESTIMATED NUMBER OF COUNTIES	ESTIMATED NUMBER OF FARMS	ESTIMATED PLANTED ACREAGE
Illinois	4	65	1,545
Iowa	4	30	1,598
Michigan	23	3,000	76,690
Ohio	17	1,100	24,848
Wisconsin	17	330	7,550
Midwest Area	65	4,525	112,231
California	31	2,700	240,792
Colorado	23	4,400	178,009
Kansas	9	150	11,155
New Mexico	1	10	167
Texas	5	55	2,104
Utah	12	1,833	25,948
Southwest Area	81	9,148	458,175
Idaho	23	4,194	125,419
Minnesota	24	1,030	98,740
Montana	18	1,351	68,111
Nebraska	23	1,757	75,500
North Dakota	8	642	46,975
Oregon	3	597	21,586
South Dakota	10	175	10,298
Washington	7	1,360	54,797
Wyoming	17	1,100	53,222
Northwest Area	133	12,206	554,648
Total States	279	25,879	1,125,054

TABLE III

Sugar Act Program (Cane)
Estimated Workload Data for the 1961 Crop

State or Area	Number of Counties	Number of Mill Areas	Plantation Mill Districts	Number of Farms	Estimated Planted Acreage *	Estimated Harvested Acreage
Florida	3	-	-	18	60,000	-
Louisiana	19	-	-	2,600	305,000	-
Puerto Rico	-	22	-	15,600	-	345,000
Hawaii	-	-	27	800	-	110,000
Virgin Islands	-	1	-	210	-	4,500
Total	22	23	27	19,228	365,000	459,500

* Not available for Puerto Rico, Hawaii and the Virgin Islands

(c) Agricultural Conservation Program

	On Direct Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1962 and base for 1963	\$238,000,000	\$250,000,000
Budget Estimate, 1963	244,500,000	150,000,000
Increase or Decrease	<u>+6,500,000</u>	<u>-100,000,000</u>

The Agricultural Conservation Program is operated on a program or crop-year basis and cost-sharing assistance is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1961 Agricultural Conservation Program which closes December 31, 1961, were made available in the Department of Agriculture and Related Agencies Appropriation Act, 1962. In that Act, the Congress also authorized the formulation and administration of a \$250 million program for 1962 for which this estimate is submitted.

SUMMARY OF INCREASES, 1963
(On basis of direct appropriation)

Increase to carry out the 1962 program in the amount authorized +6,500,000

PROJECT STATEMENT
(On basis of program authorization)

Project	: Appropria- : tion 1961 : (1960 Prog.) : (Actual)	: Appropria- : tion 1962 : (1961 Prog.) : (Estimate)	: Increase : or : Decrease	: Appropria- : tion 1963 : (1962 Prog.) : (Estimate)
1. <u>Cost-sharing assistance</u> to farmers	:	:	:	:
Other program expenses ..	\$213,381,211:	\$219,866,695:	- -	\$219,866,695
Total program expenses ..	1,451,430:	1,477,305:	- -	1,477,305
2. <u>Operating expenses:</u>	214,832,641:	221,344,000:	- -	221,344,000
County expenses (Sec. 388):	:	:	:	:
ASCS County committees ..	23,243,946:	23,219,300:	- -	23,219,300
Forest Service	121,983:	130,700:	- -	130,700
Total county committee expenses	23,365,929:	23,350,000:	- -	23,350,000
National and State Office expenses (Sec. 392):	:	:	:	:
National and State Offices: (ASCS)	5,753,369:	5,741,400:	- -	5,741,400
Forest Service	17,384:	8,600:	- -	8,600
Total National and State Office Expenses	5,770,753:	5,750,000:	- -	5,750,000
Total operating expenses	29,136,682:	29,100,000:	- -	29,100,000
Total Obligations	a/ 243,969,323:	250,444,000:	- -	250,444,000

(Continued on next page)

Project	: Appropriation 1961 :(1960 Prog.) :(Actual)	: Appropriation 1962 :(1961 Prog.) :(Estimate)	: Increase or Decrease	: Appropriation 1963 :(1962 Prog.) :(Estimate)
Adjustments:	:	:	:	:
Difference in amount	:	:	:	:
used for purchase of	:	:	:	:
conservation materials	:	:	:	:
and services from prior	:	:	:	:
fiscal year appropriation	:	:	:	:
for current program	:	:	:	:
and amount used	:	:	:	:
for such purchases from	:	:	:	:
current fiscal year ..	: +5,179,615:	: - -	: -10,200,000	: -10,200,000
Reimbursements from	:	:	:	:
sales of aerial photographs	: -444,000:	: -444,000:	: - -	: -444,000
Received by loan from	:	:	:	:
CCC	: -42,200,000:	: -42,200,000:	: +10,200,000	: -32,000,000
Repayment of loan from	:	:	:	:
CCC	: +29,500,000:	: +30,200,000:	: +6,500,000	: +36,700,000
Available for repayment	:	:	:	:
of loan from CCC	: +5,995,062:	: - -	: - -	: - -
Appropriation or Estimate:	: 242,000,000:	: 238,000,000:	: +6,500,000(1):	: 244,500,000

a/ Total direct applied costs were \$237,218,238 in fiscal year 1961. This amount is not directly reconcilable to the obligations shown above, which, for program payments, relate to the program year rather than the fiscal year.

INCREASE

(1) An increase of \$6,500,000 on a direct appropriation basis.

The appropriation request for fiscal year 1962 was reduced from \$250,000,000 to \$238,000,000 or a reduction of \$12,000,000 due to the availability of under-earnings of this amount on the 1959 program. An increase of \$12,000,000 would normally be required in the 1963 appropriation in order to carry out a 1962 Agricultural Conservation Program of \$250,000,000 as authorized by the Congress. However, due to underearnings of \$5,500,000 on the 1960 program, an increase of only \$6,500,000 is required. The underearnings will be used to repay part of the 1962 loan from the Commodity Credit Corporation, thereby reducing the amount to be repaid from the 1963 appropriation.

Advance Authorization for 1963 Agricultural Conservation Program

An advance authorization of \$150 million is proposed for the 1963 program year. This is a reduction of \$100 million from the 1962 program authorization. The proposed reduction does not affect the amount of funds required to be appropriated for the fiscal year 1963, but rather will be reflected in the budget for the fiscal year 1964.

It is planned to continue the 1963 Agricultural Conservation Program on about the same basis, except for its total size, as the current program. No major program changes are contemplated at the national level. Major emphasis will continue to be placed on conservation practices with enduring benefits. County and State ACP programs will again be developed by the county and state ACP Development Groups and they will be asked to make necessary adjustments to accomplish the reductions based upon their experience and judgment.

State ACP Development Groups consist of the ASC State Committee (including representatives of the State Agricultural Extension Service), and representatives of the Soil Conservation Service and the Federal Forest Service. Presidents of Land Grant Colleges and State Directors of the Farmers Home Administration are invited to designate representatives to counsel with this group in the formulation of the State program. Also, representatives of State Soil Conservation Committees (Boards or Commissions), Colleges of Agriculture and of other State and Federal agricultural agencies are invited to participate in the deliberations on the State programs. The county ACP Development Group consists of comparable agency representatives at the county level with similar participation by other agricultural interests.

It is planned to distribute 1963 program funds among States on the basis of the conservation needs formula which is contained in Section 15 of the Soil Conservation and Domestic Allotment Act.

STATUS OF PROGRAM

National Conservation Action is a Necessity

The Nation must have, for now and the future, a never-ending flow of food, fiber, wood, and water - the raw produce of our farms and ranches. With an expanding population and economy, but a limited (and shrinking) area to produce these essential materials, the active conservation of our soil, water, and woodland becomes an imperative national policy and requires the personal involvement of every citizen. The farm interest in conservation is also the urban interest, the interest of labor and business and the professions.

Conservation Costs Before it Pays

Farm practices that conserve agricultural soil and water resources are costly. They require an initial outlay of capital to install and many of them result in a reduction in farm income and an increase in the amount of expenditures for farm operations. The economic phase of conservation work requires increased attention. Several recent studies have revealed some of the reasons why farmers are often reluctant to adopt conservation systems of farming, even though it is recognized that such a system will eventually result in increased farm income. These studies show that in addition to the substantial initial investment, there is usually a loss of immediate income when a conservation system of farming is adopted. They also show that returns which can be expected from some types of needed conservation measures (for example, terrace systems, erosion control structures and certain forestry improvement measures) will not equal their cost for a long time even though they may be necessary to prevent irreparable loss of soil resources and to insure vital water resources and supplies. There are greater risks in some types of needed work (such as contour farming or the establishment of soil-saving cover in some areas) than farmers and lenders are generally willing to assume.

Farmers and the Public Jointly Invest and Jointly Benefit

Because of their inseparable interest and mutual interdependence, farmers and other citizens have recognized the necessity of jointly bringing their resources to bear on problems in the field of soil, water, and woodland conservation. Federal and State governments have sought and continue to seek the best methods of expressing this essential partnership. Research and experimental work have developed and are developing means by which soil and water resources can be conserved. Educational work is teaching the value of and need for conservation effort. Technical services help determine the conservation measures that are needed and furnish engineering and other professional assistance to correctly install them. Federal cost-sharing by the Agricultural Conservation Program helps overcome, through its incentives and other resources, the economic barriers to carrying out conservation measures. The Agricultural Conservation Program affords a means by which all the people may bear a part of the costs of those measures

that would not otherwise be carried out at the rate needed to meet the public interest. It assists farmers and ranchers to protect the public's interest in the Nation's soil, water, and woodland resources by sharing with them the cost of carrying out soil-building and soil-and-water-conserving practices more rapidly and to a fuller extent than would be practicable through usual farm management practices. The program, which is applicable to all farmland except some-federally-administered noncropland, helps insure continued abundant production at bargain prices, for all of the people of the country.

Local People Develop Their Own Program

Development of the Agricultural Conservation Program begins at the local or county level. The Agricultural Stabilization and Conservation county committee, with the assistance of the County Extension Agent and representatives of the Soil Conservation Service, Forest Service, and other local groups interested in conservation, make recommendations to the State ACP development group.

These recommendations are used as the basis to formulate joint recommendations to the Agricultural Stabilization and Conservation Service in Washington. From these recommendations, the Agricultural Stabilization and Conservation Service, Soil Conservation Service, and Forest Service develop and recommend to the Secretary a national program. These State and local people then develop their programs within the structure of the national program authorized by the Congress and approved by the Secretary.

Local People Administer Their Program

The Agricultural Conservation Program is administered locally by Agricultural Stabilization and Conservation county committees which are composed of resident farmers elected by farmers they serve. County committees are supervised by Agricultural Stabilization and Conservation State committees composed of resident farmers appointed by the Secretary of Agriculture. The local County Agent is ex officio a member of the county committee and the State Director of Extension holds a like position on the State committee.

State, county and community committeemen are assigned the responsibility for the field administration of the program and work directly with farmers in utilizing program assistance in an effort to get the greatest volume of conservation performed on the land by the farmers themselves. The responsibility for technical determinations in the field regarding designated permanent type practices is assigned to the Soil Conservation Service, except for forestry practices, for which responsibility is assigned to the Forest Service.

1961 Program Again Emphasized Conservation in Land-Use Adjustments and Land Treatment Conservation Measures Within Watersheds

The Department carried out the 1961 Agricultural Conservation Program consistent with the authorization contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1961. The Department continued the policy of directing program emphasis toward but not limiting assistance to, enduring practices which are essential in the public interest and which farmers or ranchers would not carry out to the desired extent with their own resources, and to practices needed to meet the conservation problems on land being shifted out of production.

To illustrate the function and economic effect of the Agricultural Conservation Program in land-use adjustment, the program has shared the cost with farmers on establishing about 30 million acres of enduring vegetative cover, including tree cover, during the seven years 1954-60. A high percentage of this land was cropland producing at an intensive level.

Also, the Agricultural Conservation Program has been instrumental in furthering the objectives and accomplishments of authorized watershed programs. For example, during the years 1955-1960, over \$49 million of ACP funds were used to share costs of the land treatment conservation measures within the boundaries of the 11 approved flood prevention watersheds, 55 pilot watersheds in which operations were authorized under Public Law 46, and watersheds authorized for operations under Public Law 566. These costs were shared on from about 34,000 farms in 1955 to about 52,000 in 1960. In the case of the Public Law 566 watersheds included in these data, the number of watersheds increased from 26 (with 908 farms participating in ACP) in 1955 to 289 (with 20,806 farms participating in ACP) in 1960.

The Program for 1962

The 1962 program is essentially the same as the 1961 national program, except that on the basis of new authority in the Department of Agriculture and Related Agencies Appropriation Act, 1962, wildlife conservation practices which also have soil or water conservation benefits, are authorized. Consistent with the provision in this appropriation act, no change has been made in the 1962 national program which will have the effect of restricting eligibility requirements for cost-sharing on practices included in either the 1958 or 1959 program. The limitation on initial county allocations in the 1961 Appropriation Act was omitted from the 1962 Appropriation Act. Therefore, State committees allocated the funds available for conservation practices among the counties consistent with the needs for enduring conservation, giving particular consideration to the furtherance of watershed conservation programs sponsored by local people and organizations.

Authority for local development and adaptation of the program continues. There is also encouragement for modifications of regular practices to meet local problems. Under this authority, emphasis is given to the development or adaptation of the program to help meet continuing needs for (1) sound land-use adjustment, (2) land treatment measures in special watershed programs, and (3) dealing with special farm conservation problems of particular consequence in depressed agricultural areas. In addition, there is continued the provision for the development of new practices to meet new or unusual conservation problems including emergency conservation problems arising as a result of natural disasters such as floods, hurricanes, and intense drought.

The maximum Federal cost-share limitation remains at \$2,500, the same as for 1961.

The 1960 Program Accomplished Much Conservation

Funds available for program assistance, after estimated costs of administration are deducted from the maximum authorization, are distributed among States in accordance with their conservation needs, except for the minimum allotment provision contained in Section 15 of the Soil Conservation and Domestic Allotment Act, as amended. Funds for the Naval Stores Conservation Program, cost of aerial photography, program printing, and transfers to the Treasury Department are subtracted from the amount available for Program assistance before the conservation needs formula is applied. The amount for Naval Stores has been determined in the same manner since 1948 and is based on the need for assistance under the Naval Stores Conservation Program as related to the total funds available for cost-sharing assistance to farmers.

Program Data

Participation under the 1960 Agricultural Conservation Program

Item	Unit	Participating <u>1/</u>
Farms	Number	1,029,279
Farmland	1,000 acres	391,544
Cropland	1,000 acres	152,269
Noncrop pasture and range	1,000 acres	178,042

1/ Includes the United States, Puerto Rico, the Virgin Islands, and data relative to the Supplementary (Emergency) Agricultural Conservation Program. Excludes the Naval Stores Conservation Program. Excludes farms which received assistance in past years but not under the 1960 program.

Extent of Selected Conservation Measures Performed Under the 1960 Agricultural Conservation Program and Accomplishments Under the Agricultural Conservation Programs - 1936-1960. Includes Supplementary (Emergency) Agricultural Conservation Programs.

Practice	Unit (in thousands)	Extent under 1960 program <u>1/</u>	Total accomplish- ments 1936-1960 <u>1/</u>
Dams and reservoirs <u>2/</u>	structures	52	1,691
Standard terraces	acres	703	25,442
Diversion and spreader terraces ...	miles	4	125
Permanent sod waterways	acres	43	681
Stripcropping	acres	455	110,588
Leveling to conserve irrigation water and control erosion	acres	317	7,158
Drainage	acres	1,658	40,149
Tree planting	acres	358	2,991
Timber stand improvement	acres	256	2,190
Liming materials applied	tons	16,249	422,816
All vegetative cover	acres	11,478	774,498
Control of competitive shrubs on range or pasture	acres	1,921	42,168

1/ Includes completed measures only.

2/ Includes storage-type structures for erosion control, irrigation water, livestock water.

(d) Emergency Conservation Measures

Supplemental Appropriation Act, 1962 and base for 1963	\$5,000,000
Budget Estimate, 1963	
Decrease	<u>-5,000,000</u>

PROJECT STATEMENT

Project	1961	1962 :(estimated):	Increase or Decrease	1963 :(estimated)
Emergency cost-sharing assistance:				
to farmers and ranchers	\$4,703,499	\$16,737,909	-\$16,737,909	
Unobligated balance brought forward	-15,330,096	-11,737,909	+11,737,909	
Unobligated balance carried forward	11,737,909	- -	- -	
Recovery of prior year obligations	-1,111,313	- -	- -	
Appropriation or estimate	- -	5,000,000	-5,000,000	

Program for 1961 and 1962

These funds are available for assistance to farmers only when natural disasters create new conservation problems which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

In view of the continuing and intensifying drought in many parts of the country, disastrous floods in scattered parts of the country, and damage resulting from hurricane Carla, it is anticipated that the total available funds will be required for cost-sharing assistance under the 1961 and 1962 programs. It is not possible at this time to determine the needs for emergency conservation measures next year, and no estimate for a 1963 appropriation is requested at this time.

A major problem in 1962 is the land damage that resulted from hurricane Carla and that resulting from the extended widespread and intense drought that occurred in the inter-mountain and Great Plains States and east to the Great Lakes. Timely application of emergency conservation measures is essential to protect farm and rangelands damaged by these natural disasters from irreparable damage.

STATUS OF PROGRAM

Public Laws Nos. 85-58 and 85-170 appropriated \$24 million for providing cost-sharing assistance to farmers and ranchers for carrying out approved emergency conservation measures to restore and protect farmland damaged by natural disasters. Public Law 85-766 provided that the unobligated balance remain available until expended. Public Law 87-332 appropriated an additional \$5 million.

An unobligated balance of approximately \$11.7 million was carried forward into the fiscal year 1962, which, together with the \$5 million appropriated in the Supplemental Appropriation Act, 1962, made about \$16.7 million available for emergency conservation measures. During the fiscal year 1962, as of December 15, 1961, \$8.3 million had been made available to States for emergency conservation measures to be carried out under the 1961 and 1962 programs to rehabilitate farm and ranchland damaged by drought and flood.

Cost-sharing assistance (up to 80% of the cost of carrying out approved practices) is offered to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters. Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems have been created which (1) if not treated, will impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area; and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Funds for emergency cost-sharing assistance are distributed among States on the basis of needs for restoration of damaged lands.

Drought

In the drought-stricken areas, the water supply situation is extremely acute and farmers and ranchers have suffered substantial damage and losses to range, pastures, and crops. There is need for cost-sharing assistance on conservation practices that conserve the supply of water currently available, replenish the unusually low supply of water in existing irrigation systems, and provide an adequate supply of water for livestock.

Cost-sharing assistance in the drought areas includes:

1. Development of wells, springs, and ponds for livestock water.
2. Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation.
3. Constructing and deepening wells, to replenish the supply of water normally available for irrigation.
4. Seedings for temporary cover and tillage operations to prevent or control wind erosion.

Flood

In the flood disaster areas, farmers have sustained considerable loss by severe gully erosion, silting of drainage systems, and damage to waterways, terraces, and diversions. Many bottom land fields have been severely scoured and cut by streams that overflowed their banks.

Cost-sharing assistance to rehabilitate farmlands damaged by floods includes:

1. Removal of debris.
2. Smoothing gullies and field washouts.
3. Stream bank stabilization.
4. Restoration of pond levees, spillways, sod waterways, drainage ditches, terraces, and diversions.

The statement below shows by State, the number of designated disaster counties and the amounts allocated for cost-sharing assistance.

Allocations as of December 15, 1961

State	1958 Program		1959 Program		1960 Program	
	Counties designated	1/Allocation	Counties designated	Allocation	Counties designated	Allocation
	Number	Dollars	Number	Dollars	Number	Dollars
Alaska	1	30,000	--	--	--	--
Arkansas ..	19	206,701	--	--	--	--
Indiana ...	12	186,489	15	29,108	1	10,648
Kansas	2	13,441	1	14,322	3	10,914
Kentucky ..	31	463,144	--	--	--	--
Louisiana .	7	116,365	--	--	--	--
Minnesota .	9	--	--	--	--	--
Missouri ..	21	845,391	24	509,012	8	276,000
New Mexico .	1	48,000	--	--	--	--
Oklahoma ..	21	143,571	--	--	9	91,000
Oregon	2	127,907	--	--	--	--
South Dakota	--	--	--	--	4	7,000
Texas	31	1,838,144	4	549,702	4	176,000
Washington	--	--	1	40,848	--	--
Total	157	4,019,153	45	1,142,992	29	571,562

1/ Adjusted to reflect cost-sharing for practices actually installed.

State	1961 Program		1962 Program		
	Counties designated	Allocation	Counties designated	Allocation	
	Number	Dollars	Number	Dollars	
Arizona ...	3	100,000	--	--	
Arkansas ..	6	150,000	--	--	
Hawaii	1	14,000	--	--	
Idaho	23	2,097,000	--	--	
Kentucky ..	19	678,000	--	--	
Louisiana .	--	--	3	30,000	
Mississippi	1	10,000	--	--	
Montana ...	26	520,000	--	--	
Nevada	3	27,000	--	--	
North Dakota	53	4,850,000	--	--	
Oregon	8	482,000	--	--	
Puerto Rico	1	83,000	--	--	
South Dakota	14	539,000	--	--	
Texas	13	736,000	6	650,000	
Utah	29	1,220,000	--	--	
Wyoming ...	10	569,000	--	--	
Total ...	210	12,075,000	9	680,000	

State	1961 Program		1962 Program		
	Counties designated	Allocation	Counties designated	Allocation	
	<u>Number</u>	<u>Dollars</u>	<u>Number</u>	<u>Dollars</u>	
Arizona ...	3	100,000	--	--	
Arkansas ..	6	150,000	--	--	
Hawaii	1	14,000	--	--	
Idaho	23	2,097,000	--	--	
Kentucky ..	19	678,000	--	--	
Louisiana .	--	--	3	30,000	
Mississippi	1	10,000	--	--	
Montana ...	26	520,000	--	--	
Nevada	3	27,000	--	--	
North Dakota	53	4,850,000	--	--	
Oregon	8	482,000	--	--	
Puerto Rico	1	83,000	--	--	
South Dakota	14	539,000	--	--	
Texas	13	736,000	6	650,000	
Utah	29	1,220,000	--	--	
Wyoming ...	10	569,000	--	--	
Total ...	210	12,075,000	9	680,000	

(e) Conservation Reserve Program

Appropriation Act, 1962 and base for 1963	\$312,000,000
Budget Estimate, 1963	323,000,000
Increase	<u>11,000,000</u>

Note: The following justifications are presented on a funds available basis, and the amount for 1962 reflects the carryovers from the prior year. Taking carryovers into account there is a decrease of \$23,425,328 in requirements for 1963 as compared with 1962.

SUMMARY OF DECREASES, 1963
(On basis of available funds)

Decrease in the requirements for program payments to producers under the 1962 program	-21,229,328
Decrease in operating expenses	-2,196,000

PROJECT STATEMENT
(On basis of available funds)

Project	1961	1962 (estimated)	Increase or Decrease	1963 (estimated)
1. <u>Conservation Reserve</u>				
<u>Program:</u>				
a. Program payments to producers:				
Annual	\$338,900,506	\$332,506,147	-\$20,390,147	\$312,116,000
Practice	11,666,982	1,369,181	-789,181	580,000
Acreage Reserve Program payments	7,599	- -	- -	- -
Total payments to producers	350,575,087	333,875,328	-21,179,328	312,696,000
b. Production of tree seedlings	-863	50,000	-50,000	- -
Total program payments	350,574,224	333,925,328	-21,229,328	312,696,000
c. Operating expenses:				
Agricultural Stabilization and Conservation Service:				
National and State Office expenses	1,742,000	1,690,500	- -	1,690,500
ASC county committees	10,261,000	10,625,000	-2,161,500	8,463,500
Subtotal, ASCS				
Opr. expenses	12,003,000	12,315,500	-2,161,500	10,154,000

(Continued on next page)

Project	1961	1962	Increase or Decrease	1963
		(estimated)		(estimated)
Forest Service	233,684:	69,500:	-29,500	40,000
Soil Conservation				
Service	24,211:	- -	- -	- -
Office of the General				
Counsel	90,000:	115,000:	-5,000	110,000
Subtotal, other agencies:				
operating expenses ...	347,895:	184,500:	-34,500	150,000
Subtotal, operating				
expenses	12,350,895:	12,500,000:	-2,196,000(2):	10,304,000
Subtotal a/	362,925,119:	346,425,328:	-23,425,328	323,000,000
Balance brought forward ..	b/ -45,525,884:	b/ -34,425,328:	-34,425,328	- -
Balance carried forward ..	34,425,328:	- -	- -	- -
Reappropriation of prior				
year balances	-21,824,563:	- -	- -	- -
Total appropriation or				
estimate	330,000,000:	312,000,000:	-11,000,000	323,000,000

a/ Applied costs for 1961 and 1962 exceed obligations by \$165,974 and \$59,726, respectively, and are due primarily to the excess of tree seedlings received over orders placed in the year.

b/ Includes the unexpended balance of advances to CCC.

INCREASES AND DECREASES (On basis of available funds)

The decrease of \$23,425,328 under the appropriation "Conservation Reserve Program" for 1963 is composed of:

(1) A decrease of \$21,229,000 for program payments: The payments to be made in 1963 are in compliance with contracts negotiated in the 1956 through 1960 programs. The estimate for 1963 is \$312,696,000 or \$21,229,328 less than the amount available in 1962. The decrease in payments consists of the following:

(a) A decrease of \$20,390,147 in annual payments: Under 3 to 10 year contracts negotiated with producers during the five year period ending with the 1960 program, the Federal Government has agreed to make annual rental payments for land held out of production.

By the use of electronic data processing equipment, the 301,543 contracts under the program were individually analyzed in detail and summarized. This involves extracting from each contract the annual rental payments for each year of the contract. The result of the analysis applicable to fiscal year 1963 requirements for annual rental payments is summarized in the following tabulation:

	<u>Contracts in Force</u>	<u>Payments Due Producers</u>	<u>Acres Withheld from Production</u>	<u>Average Annual Rate per acre</u>
Fiscal year 1962	301,543	\$336,369,397	28,389,695	\$11.85
Less: Expirations during Fiscal Year 1962	<u>15,000(Est.)</u>	<u>24,252,413</u>	<u>2,161,129(Est.)</u>	<u>- -</u>
Fiscal Year 1963, Est.	286,543	312,116,984	26,228,566	11.85

(b) A decrease of \$789,181 in practice payments: Cost-share assistance for conservation practices ranges from 50 to 80 percent of the cost of establishing protective cover. In the event initial attempts by producers to establish conservation practices fail because of natural disasters, cost-share assistance payments may be made to reestablish practices with the rate of payment reduced to 50 percent of the regular rate. It is anticipated that a substantial number of the practices to be carried out under the contracts will be completed by the end of the current fiscal year. By the end of the fiscal year 1963, it is estimated that almost all of these practices will have been completed.

(c) A decrease of \$50,000 in tree seedlings: It is estimated that additional funds will not be required for the production of tree seedlings in 1962. This is, therefore, a reduction of \$50,000, the same as the amount available in 1962 for this purpose.

(2) A decrease of \$2,196,000 in the requirements for operating expenses: The operating expenses in fiscal year 1963 are estimated to be \$10,304,000 compared with \$12,500,000 for fiscal year 1962. The decrease of \$2,196,000 in fiscal year 1963 is composed of:

(a) A decrease of \$2,161,500 for ASC county committees. The participation in the program is an important factor at the local level in determining the fund requirements. The decrease in the estimate reflects the smaller workload under the 1962 program compared with the 1961 program.

(b) A decrease of \$34,500 in operating expenses of other agencies, of which \$29,500 reflects a smaller volume of operations in the Forest Service in connection with the tree-planting program and \$5,000 reflects a decrease in volume of cases which will require legal action by the Office of the General Counsel.

(After the 1963 Budget was printed, it was determined from a review of requirements that county office expenses could be reduced by \$1 million in 1962. This amount is being used for program payments.)

STATUS OF PROGRAM

Current Activities: The Conservation Reserve of the Soil Bank is one of the programs used to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program, under which the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in the reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover. He also must control weeds and take other measures as may be necessary to prevent grazing such as building or maintaining fences. The farmer's compliance with the contract binds the Federal Government to make an annual rental payment for the land held out of production and, where necessary, to assist with the cost of establishing the conservation practices on the reserve tract.

Selected Examples of Recent Progress.

28.4 Million Acres Now in Conservation Reserve: The Conservation Reserve program began late in the 1956 crop year and reached a peak of participation with the 1960 crop year signup of 28.7 million acres, the last year in which a program for signing up additional acreage was authorized. Contracts covering 300 thousand acres expired at the end of the 1960 program.

During the 1961 crop season, conservation reserve contracts on 301,543 farms were in effect, covering about 28.4 million acres in all States except Alaska, Hawaii, and Nevada. The acreage was put in the program during the period 1956 through 1960, and receives an average annual rental payment of \$11.85 per acre.

Of the 28.4 million acres of cropland in the Conservation Reserve during 1961, 71% (20,140,605 acres) is on farms on which all the eligible land has been placed in the program. Since all the crop-producing land has been taken out of production on these farms, the production adjustment accomplished cannot be offset by more intensive crop production on other land on the same farm.

There are more than 94 million acres, or 8% of total U.S. farmland on the contract farms. While only cropland in current use is eligible for payments, the Conservation Reserve places a limit on the cropping activities for the entire farm and provides that no new land on the farm may be brought into cultivation. Of the total acreage on the contract farms, there are 41.4 million acres of cropland, consisting of 28.4 million acres in the Conservation Reserve, and 13 million acres as the maximum acreage of cropland that can be utilized for production purposes. The average size participating farm of 313 acres is larger than the average 1959 census farm of 302 acres.

The number of contracts and the reserve acreage under contract, by States, is shown in Table I.

Commodity Surpluses Reduced: The land in the Conservation Reserve would normally have produced farm commodities to add to existing surpluses. Of the acreage in the reserve in 1961, 4.6 million acres were formerly devoted to corn, 3.9 million acres to grain sorghums, 3.2 million acres to wheat, 3.9 million acres to oats, 1.6 million acres to barley, 1.1 million acres to soybeans, and about 10 million acres to other crops and land uses. At 1961 yields on similar land, this would have produced about 228 million bushels of corn, 147 million bushels of oats, 162 million bushels of grain sorghums, 69 million bushels of wheat, 44 million bushels of barley, 25 million bushels of soybeans, 505,000 bales of cotton, nearly 8-1/4 million tons of hay, and many other crops on a similar scale.

This potential production was for 1961 crops only. Cumulatively, since its inception through 1961, it is estimated that the land in the Conservation Reserve would have produced 671 million additional bushels of corn, 219 million bushels of wheat, 1.7 million bales of cotton, 517 million bushels of oats, 151 million bushels of barley, 77 million bushels of soybeans, and 568 million bushels of grain sorghums. Table II shows the estimated 1961 adjustments in land use and adjustments in production for 1961 and the period 1957-1961.

Conservation Achievements: Grass cover is the most popular of the conservation practices carried out on Conservation Reserve land, especially in the Great Plains States. In this area, the program is stimulating the return to grass of vast areas of dry land planted to grain under wartime needs. Contracts in effect in 1961 provide for grass cover on 25.9 million acres of which about 19.4 million acres are newly planted and nearly 6.5 million existing acres are being maintained.

A total of nearly 2.2 million acres of the Conservation Reserve acreage has been or is being planted to trees and shrubs. Tree-planting contracts are for the full 10-year period. When cropland goes out of production and is planted to trees, it is likely to remain out of production for a long period of time, perhaps permanently.

Practices designed especially for wildlife protection have gained favorable acceptance by participating farmers and general approval of sportsmen and wildlife organizations. About 319,000 acres of the Conservation Reserve acreage are being devoted to wildlife cover and water impoundments for wildlife including the construction of water control structures which will flood 12,000 acres of cropland. The Conservation Reserve Program includes provision for the construction of 6,531 dams, pits and ponds to impound water for wildlife and recreation on 16,625 acres.

The conservation practices by States required to be established or maintained under all contracts in force as of July 1, 1961, are shown in Table III.

Practice Payments Nearly Completed: The bulk of the conservation practices are established soon after producers enter into contracts. Under contracts entered into through the 1960 program, it is estimated that the total Government commitment for initial establishment of conservation cover is \$158 million. Through June 30, 1961, about \$156.3 million of the total commitment has been paid producers. On a dollar basis this would indicate that practices are 99%

completed. An additional \$4.6 million has been paid to producers through June 30, 1961, for the re-establishment of practices which failed due to natural disasters.

The Government assisted in the establishment of trees, grass, water storage facilities, and wildlife habitat on the acreage placed in the Conservation Reserve.

Rental Payments Continue Through Fiscal Year 1970: Since 1960 was the last year in which additional acreage could be entered into the program, and since a number of contracts will terminate each year in accordance with the contract provisions, rental payments will continue through the fiscal year 1970 on a diminishing basis as follows:

<u>Fiscal Year</u>	<u>Annual Rental Payments for Current Contracts</u>	<u>Estimated Acres in Reserve</u>
1962	\$336,369,397	28,389,695
1963	312,116,984	26,228,566
1964	299,765,827	25,136,480
1965	203,829,275	17,704,004
1966	157,532,665	14,090,251
1967	152,216,437	13,544,315
1968	132,005,152	11,564,331
1969	117,202,873	10,203,544
1970	43,210,587	3,717,767
1971 <u>1/</u>	575,757	46,249

1/ Represents mandatory extensions because tree seedlings were unavailable during 1960.

1961 Conservation Reserve

Table I

Participation in the 1961 Program
(1956-1960 Contracts in Force)

State	Number of Contracts, Cumulative	Acreage in the Reserve			Percent From Whole Farms	Estimated Annual Payments, Fiscal Year 1962	Average Rental Rate Per Acre
		Total All Farms	From Whole Farms				
Alabama	8,291	407,249	282,478	69.4	\$5,052,321	\$12.41	
Arizona	66	7,777	5,595	71.9	104,754	13.47	
Arkansas	9,322	591,738	470,401	79.5	7,139,645	12.07	
California	1,064	199,892	117,371	58.7	2,600,781	13.01	
Colorado	4,727	1,292,292	818,416	63.3	9,892,116	7.65	
Connecticut	190	4,633	4,374	94.4	90,048	19.44	
Delaware	281	18,300	16,799	91.8	304,303	16.63	
Florida	2,175	226,783	140,013	61.7	2,171,991	9.58	
Georgia	14,794	1,055,866	652,291	61.8	12,068,434	11.43	
Idaho	1,507	284,001	221,075	77.9	3,463,332	12.19	
Illinois	6,058	434,148	399,189	92.0	7,495,694	17.27	
Indiana	7,837	489,160	452,402	92.5	9,004,054	18.41	
Iowa	7,568	649,463	576,149	88.7	11,808,279	18.18	
Kansas	12,622	1,447,166	953,828	65.9	17,191,634	11.88	
Kentucky	5,467	385,997	352,072	91.2	6,280,174	16.27	
Louisiana	3,285	217,840	172,318	79.1	2,955,337	13.57	
Maine	2,648	121,687	109,418	89.9	1,398,413	11.49	
Maryland	1,472	83,406	74,016	88.7	1,414,067	16.95	
Massachusetts	111	2,777	2,476	89.2	43,858	15.79	
Michigan	11,470	703,597	659,759	93.8	9,282,642	13.19	
Minnesota	19,991	1,894,228	1,449,098	76.5	21,396,945	11.30	
Mississippi	5,654	319,772	140,939	44.1	4,349,634	13.60	
Missouri	10,890	825,457	679,879	82.4	11,683,271	14.15	
Montana	2,034	629,162	494,404	78.6	5,665,312	9.00	
Nebraska	7,362	874,437	703,859	80.5	10,480,851	11.99	

Participation in the 1961 Program

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State	Number of Contracts, Cumulative	Acreage in the Reserve		Estimated Annual Payments, Fiscal Year 1962	Average Rental Rate Per Acre
		Total All Farms	From Whole Farms	Percent From: Whole Farms	
Nevada	-	-	-	-	-
New Hampshire ...	445	11,733	11,196	95.4	\$13.30
New Jersey	1,070	48,668	41,329	84.9	17.56
New Mexico	3,507	864,758	504,208	58.3	8.16
New York	9,506	498,661	448,632	90.0	12.85
North Carolina ..	7,732	267,809	182,348	68.1	15.20
North Dakota	12,275	2,700,455	1,957,931	72.5	10.00
Ohio	8,707	511,271	485,238	94.9	17.31
Oklahoma	16,875	1,489,419	926,923	62.2	10.71
Oregon	2,238	231,153	141,200	61.1	14.16
Pennsylvania	7,201	363,770	341,452	93.9	15.56
Rhode Island	4	62	62	100.0	19.89
South Carolina ..	11,752	634,124	400,547	63.2	12.75
South Dakota	10,962	1,820,502	1,291,502	71.0	10.27
Tennessee	7,878	493,670	415,560	84.2	15.01
Texas	33,434	3,649,682	1,724,522	47.3	10.64
Utah	978	236,041	165,551	70.1	8.64
Vermont	988	32,395	31,207	96.3	13.26
Virginia	2,359	113,814	103,532	91.0	15.98
Washington	2,184	333,881	184,039	55.1	12.74
West Virginia ...	1,778	57,780	56,287	97.4	15.16
Wisconsin	12,229	738,524	689,978	93.4	13.83
Wyoming	555	124,695	88,742	71.2	8.72
Subtotal	301,543	28,389,695	20,140,605	71.0	11.85
Practice Payments:	-	-	-	-	-
Total	301,543	28,389,695	20,140,605	71.0	11.85

Table II

CONSERVATION RESERVE PROGRAM: ESTIMATED 1961 ADJUSTMENTS IN LAND
USE WITH PRODUCTION ADJUSTMENTS FOR 1961 AND 1957-61
REVISED

Former cropland use	: Estimated : acreage : adjustment : 1961 : (revised) : (1,000)	Estimated production avoided <u>1/</u>			Units (1,000)
		1961	1957-61		
		(revised)	(revised): cumulative:		
		(1,000)	(1,000)	(1,000)	
1. Corn	4,573	227,719	671,046	Bushels	
2. Wheat	3,163	68,961	218,722	Bushels	
3. Cotton	679	505	1,651	Bales	
4. Peanuts	131	143,678	482,406	Pounds	
5. Rice	6	225	655	Bags (100 lbs.)	
6. Tobacco	11	18,837	61,838	Pounds	
7. Oats	3,908	147,348	516,906	Bushels	
8. Barley	1,602	43,882	150,893	Bushels	
9. Soybeans	1,059	24,882	76,913	Bushels	
10. Sorghum grain	3,860	161,726	567,534	Bushels	
11. Flaxseed	601	4,205	14,737	Bushels	
12. Dry edible beans ..	81	937	2,899	Bags (100 lbs.)	
13. Irish potatoes	34	7,553	26,785	Cwt.	
14. Hay and pasture ...	4,886	8,258	24,616	Tons (hay equiv.)	
15. Vegetables	217	--	--	--	
16. Other crops	1,681	--	--	--	
17. Summer fallow, idle and failure	2,582	--	--	--	
18. Total including duplication <u>2/</u> ..	29,074	--	--	--	
19. Estimated reserve acreage <u>2/</u>	28,390				

1/ Production adjustment for 1957 through 1961 is based on each respective year's crop yields adjusted for location and quality of reserve acres that year.

2/ Item 18 exceeds item 19 because of double cropping, crop failure replanted and similar unusual land uses. Total reserve acreage is based on July 15, 1961, contract inventory.

TABLE III

1956-1961 Conservation Reserve Program
Reserve Acreage by Type of Conservation Cover and Estimated Practice Payments
(Based on Contracts in Force July 1, 1961)

State	Grassland Cover 1/ (Acres)	Tree Cover 1/ (Acres)	Water Conservation Ponds (Acres)	1/ (Number)	Wildlife Cover 1/ (Acres)
Alabama	163,417	216,698	310	112	1,542
Arizona	7,753	-	-	-	-
Arkansas	291,452	97,037	1,729	127	912
California	88,056	25	6	5	1,599
Colorado	1,268,812	713	37	20	278
Connecticut	919	282	1	1	10
Delaware	11,778	751	4	6	198
Florida	51,768	162,357	14	4	772
Georgia	304,444	692,340	241	77	2,093
Idaho	232,380	1,031	4	3	404
Illinois	323,792	3,892	131	94	2,870
Indiana	263,079	2,465	315	118	6,462
Iowa	257,100	4,463	603	144	168
Kansas	1,352,973	362	2,876	36	121
Kentucky	229,958	4,230	693	567	481
Louisiana	55,397	88,468	1,063	92	502
Maine	32,339	17,246	-	-	-
Maryland	26,264	3,444	24	25	5,736
Massachusetts ..	332	462	-	-	-
Michigan	139,561	31,116	86	36	5,063
Minnesota	1,145,591	27,462	1	2	130
Mississippi	186,039	64,251	285	26	1,022
Missouri	467,369	2,839	3,870	2,281	183
Montana	559,938	1,197	7	3	255
Nebraska	675,950	911	28	9	167
New Hampshire ..	158	4,662	40	25	1
New Jersey	22,763	375	4	5	175
New Mexico	860,259	-	-	-	-
New York	85,334	54,277	1,270	761	286
North Carolina :	72,341	106,815	494	382	1,142
North Dakota ..	2,365,704	5,202	-	-	76,076
Ohio	146,650	2,541	482	248	21,538
Oklahoma	1,290,837	2,132	94	72	56,678
Oregon	143,754	4,217	14	10	6,987
Pennsylvania ..	48,306	11,696	213	93	290
Rhode Island ..	25	-	-	-	-
South Carolina :	120,888	356,483	89	52	652
South Dakota ..	1,443,742	3,202	14	21	13,956
Tennessee	308,998	47,187	1,213	776	516
Texas	3,029,533	64,999	174	171	40,617
Utah	212,913	22	-	-	-
Vermont	53	12,042	37	32	-
Virginia	24,153	14,181	51	26	331
Washington	177,603	3,577	15	5	54,606
West Virginia ..	4,605	4,292	71	48	43
Wisconsin	219,443	28,597	22	16	1,716
Wyoming	92,562	42	-	-	-
Total	18,807,085	2,150,583	16,625	6,531	306,578

1/ Requiring cover at the time the contract is signed.

TABLE III
(Cont'd.)

State	:Flooded for Wild- :life (Structures) 1	:Cover to be :Maintained or :Established : : at no cost :(acres)	:Total :Acreage	:Total Prac- :tice Payments :(Estimated) 2/
	: (Acres) :	: (Number) :		
Alabama	25 :	3 :	25,257 :	407,249 :
Arizona	- :	- :	24 :	7,777 :
Arkansas	1,479 :	33 :	199,129 :	591,738 :
California	2,356 :	16 :	107,850 :	199,892 :
Colorado	17 :	1 :	22,435 :	1,292,292 :
Connecticut	- :	- :	3,421 :	4,633 :
Delaware	- :	2 :	5,569 :	18,300 :
Florida	- :	- :	11,872 :	226,783 :
Georgia	9 :	4 :	56,739 :	1,055,866 :
Idaho	100 :	1 :	50,082 :	284,001 :
Illinois	- :	- :	103,463 :	434,148 :
Indiana	97 :	4 :	216,742 :	489,160 :
Iowa	- :	- :	387,129 :	649,463 :
Kansas	169 :	7 :	90,665 :	1,447,166 :
Kentucky	- :	- :	150,635 :	385,997 :
Louisiana	547 :	16 :	71,863 :	217,840 :
Maine	- :	- :	72,102 :	121,687 :
Maryland	4 :	3 :	47,934 :	83,406 :
Massachusetts	- :	- :	1,983 :	2,777 :
Michigan	97 :	27 :	527,674 :	703,597 :
Minnesota	65 :	3 :	720,979 :	1,894,228 :
Mississippi	111 :	5 :	68,064 :	319,772 :
Missouri	2,477 :	278 :	348,719 :	825,457 :
Montana	- :	- :	67,765 :	629,162 :
Nebraska	- :	- :	197,381 :	874,437 :
New Hampshire	1 :	1 :	6,871 :	11,733 :
New Jersey	- :	- :	25,351 :	48,668 :
New Mexico	- :	- :	4,499 :	864,758 :
New York	59 :	13 :	357,435 :	498,661 :
North Carolina ..	19 :	5 :	86,998 :	267,809 :
North Dakota	842 :	22 :	252,631 :	2,700,455 :
Ohio	49 :	7 :	340,011 :	511,271 :
Oklahoma	- :	- :	139,678 :	1,489,419 :
Oregon	522 :	58 :	75,659 :	231,153 :
Pennsylvania	3 :	1 :	303,262 :	363,770 :
Rhode Island	- :	- :	37 :	62 :
South Carolina ..	2,388 :	30 :	153,624 :	634,124 :
South Dakota	37 :	13 :	359,551 :	1,820,502 :
Tennessee	502 :	10 :	135,254 :	493,670 :
Texas	- :	- :	514,359 :	3,649,682 :
Utah	- :	- :	23,106 :	236,041 :
Vermont	2 :	2 :	20,261 :	32,395 :
Virginia	9 :	3 :	75,089 :	113,814 :
Washington	243 :	4 :	97,837 :	333,881 :
West Virginia	- :	1 :	48,769 :	57,780 :
Wisconsin	27 :	21 :	488,719 :	738,524 :
Wyoming	- :	- :	32,091 :	124,695 :
Total	12,256 :	594 :	7,096,568 :	28,389,695 :

1/ Requiring cover at the time the contract is signed.

2/ These are estimated obligations incurred under contracts, of which \$156,257,430 was paid through June 30, 1961, excluding reestablishment measures.

(f) Special Agricultural Conservation and Adjustment Programs

Appropriation Act, 1962 and base for 1963	\$18,500,000
Budget Estimate, 1963	<u>18,500,000</u>

PROJECT STATEMENT

Project	1961	1962 (estimated)	1963 (estimated)
Administration of feed grain and wheat programs	- -	\$18,500,000	\$18,500,000

EXPLANATION OF ESTIMATE

Public Law 87-5, approved March 22, 1961, authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961, Public Law 87-128, approved August 8, 1961, continued the program for the 1962 crop of these commodities and broadened the program to include barley. The Act also provided for a special program on the 1962 crop of wheat contingent upon the approval of marketing quotas for the 1962 crop of wheat. Marketing quotas were approved in a referendum held August 24, 1961.

The special agricultural conservation and adjustment programs are designed to achieve a better balance between supplies and requirements and have as main objectives (1) increasing farm income, (2) preventing further buildup of surplus stocks and, if possible, reducing such stocks, and (3) reducing program costs of price support activities.

This appropriation provides funds for administering the program, including performance checking, computing advance and final payments to producers, and handling violations involving failure to meet conservation requirements.

The appropriation estimate for fiscal year 1963 is at the same level as for fiscal year 1962. During the current fiscal year CCC funds were advanced, as provided in the Agricultural Act of 1961, to initiate the 1962 wheat stabilization program. The following table shows the total funds available for administering these programs in 1962 compared to 1963:

<u>Fund</u>	<u>Fiscal Year 1962</u>	<u>Fiscal Year 1963</u>	<u>Decrease</u>
Appropriation	\$18,500,000	\$18,500,000	- -
Advance from CCC	28,845,353	- -	-\$28,845,353
	<u>47,345,353</u>	<u>18,500,000</u>	<u>-28,845,353</u>

STATUS OF PROGRAM

Public Law 87-5 authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961 continued the program for 1962 and broadened it to include barley. In addition, the Act provided for a special program for the 1962 crop of wheat. The chief objectives of these programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities.

Participation in the special agricultural conservation program (feed grain program) is voluntary but it is a condition of eligibility for price support. To participate in the program, a producer must divert a minimum of 20 percent of the farm's base acreage of corn, grain sorghums, or barley and may divert an additional 20 percent. The acreage diverted must be devoted to soil-conserving uses (including summer fallow and idle land). For diverting 20 percent of the base acreage, payments will be made on half the normal yield, at the county support price, in cash or kind. Payments in kind are accomplished through the issuance of negotiable certificates to the producers, which may be marketed subsequently by the Secretary. For an additional 20 percent diversion, payment will be the county support price on 60 percent of the normal yield, payable in feed grains only.

The wheat stabilization program, which was contingent upon the approval of marketing quotas for the 1962 crop of wheat, calls for a mandatory reduction of 10 percent in farm acreage allotments. The program provides for a voluntary reduction of an additional 30 percent, or for small farms, such acreage as will bring the total diverted acreage to 10 acres. Price support is available to producers in the commercial wheat-producing area who comply with their acreage allotments and increase their soil-conserving uses by a definite minimum amount as determined by the Secretary. For the mandatory program, payments, in cash or in wheat, are made at the rate of 45 percent of the adjusted basic county support rate, multiplied by the number of diverted acres and by the farm productivity index. Payments on the additional diverted acreage are made on the same basis but at a rate of 60 percent of the adjusted county support rate.

Program expenditures for certificates issued are made by CCC and are included in the Corporation's budget schedules.

1961 Feed Grain Program

Under the 1961 program producers on 1,173,733 farms signed to divert 26.7 million acres to soil conserving uses. The 26.7 million acres taken out of corn and grain sorghum production represented about 25 percent of the United States total 1959-60 average plantings of 108.6 million acres for these two crops.

Table I shows by State a comparison of the number of farms with base acreage and their average 1959-60 plantings with the number of participating farms and acreage diverted. It also includes payments made through December 21, 1961, which represent about 97 percent completion of the \$768 million estimated payments to be made. Table II shows by State separate acreage data for corn and for grain sorghums.

1962 Wheat and Feed Grain Program

The signup period for winter wheat and barley began on September 15 and ended on December 1, 1961. The signup period for spring wheat and feed grains will begin about February 5 and close on March 30, 1962.

Winter barley. In general, the operation of the 1962 feed grain program for barley will be similar to the provisions in effect for 1961 corn and grain sorghum production. Payments will be made to producers who divert barley acreage to a conserving use.

About half of the conservation payments to be earned by diverting barley acreage this fall was offered to producers when they signed to participate in the program. While the 1962-crop barley support price will not be announced until early in 1962 along with support prices for other feed grains, 1961 county support rates for barley will be used in determining advance payments.

As of December 1, 1961, 51,612 barley-producing farms had signed up under the 1962 feed grain program to divert 1,193,020 acres from the production of barley. This represents about 48 percent of the 2,478,993 base acres on signed farms. For the farms signed up, possible advance payments total about \$9,238,184. Payments are made in kind from the stocks of feed grains in Commodity Credit Corporation inventory. However, producers may receive payment in cashable sight drafts with the Corporation acting as their agents in marketing quantities of grain covered by the certificates. Under this provision, sight drafts amounting to \$3,324,877 had been issued to producers through December 1. It is estimated that additional participation, including the spring sign-up will result in a total program of 3.1 million acres diverted and payments of \$47 million.

Winter wheat. The 1962 wheat stabilization program provides for reducing wheat acreage below the national minimum allotment of 55 million acres. Payments are to be made to producers who divert acreage under the program to conserving uses. The program requires a mandatory reduction of 10 percent from acreage allotments established on the basis of the 55-million-acre national allotment. Price support at a national average level of \$2.00 per bushel will be available to producers who participate in the program.

As of December 1, 1961, 696,939 wheat-producing farms had been signed to divert 11,153,822 acres, which is 34.4 percent of the 32,424,220 program acres on signed farms. The total number of farms signed to participate in the program is more than 37 percent of those listed as eligible to participate. For the farms signed up, possible advance payments permitting about half the total payment to be made come to about \$123,730,222. Of this amount \$31,160,130 had been paid to participants through December 1, 1961. It is estimated that additional participation including the spring sign-up will result in a total program of 13.0 million diverted acres and payments of \$328 million.

TABLE I

Report on Participation in the 1961 Feed Grain Program
Corn and Grain Sorghums

State	Indicated Number of Farms with Base Acreage	Number of Participating Farms	Total base acres (thousand acres)	Diverted Acres (preliminary) (thous.acres)	Value of Paymts.made on basis of certificates issued a/
Alabama	108,263	29,910	2,060.1	440.0	7,623,377
Arizona	2,281	1,226	238.0	57.6	1,911,467
Arkansas	33,340	5,610	472.2	90.2	2,184,381
California	5,969	2,824	419.4	104.6	3,806,793
Colorado	17,758	8,073	1,203.2	345.4	5,331,718
Connecticut ...	2,325	92	41.0	1.0	33,174
Delaware	5,077	1,807	157.2	38.5	912,696
Florida	16,177	4,613	639.2	122.2	2,460,219
Georgia	83,032	14,191	2,914.7	331.7	6,142,076
Idaho	6,486	502	83.8	6.5	292,664
Illinois	208,445	104,606	10,848.1	2,292.6	86,799,447
Indiana	156,730	66,558	5,499.9	1,382.9	52,699,385
Iowa	191,603	108,487	13,184.0	2,936.5	106,307,881
Kansas	121,606	84,260	7,852.2	2,529.2	50,796,363
Kentucky	114,963	39,903	1,915.5	604.0	10,270,319
Louisiana	33,045	5,380	583.2	78.9	2,168,301
Maine	946	44	11.0	0.4	13,966
Maryland	21,714	4,151	523.6	79.2	2,420,894
Massachusetts .	1,911	13	31.5	0.2	7,341
Michigan	96,664	34,332	2,315.4	550.2	18,014,366
Minnesota	126,995	63,882	7,135.5	1,553.7	46,056,949
Mississippi ...	85,573	18,117	1,453.5	248.6	5,299,850
Missouri	148,999	82,434	5,344.1	2,062.6	67,131,021
Montana	2,966	1,673	110.4	39.8	503,314
Nebraska	106,827	76,601	9,072.8	2,408.2	63,612,097
Nevada	164	44	6.1	0.9	-
New Hampshire .	970	-	11.5	-	-
New Jersey	6,447	1,939	188.2	38.8	1,677,964
New Mexico	5,495	2,370	545.0	109.7	2,584,296
New York	41,206	16,070	662.8	190.3	6,159,521
North Carolina	169,422	54,096	2,174.8	543.8	16,268,310
North Dakota ..	27,474	20,218	1,389.7	414.9	4,997,458
Ohio	157,039	61,123	4,118.6	1,031.6	41,015,297
Oklahoma	50,838	22,904	1,903.6	534.9	8,105,886
Oregon	2,806	1,130	65.5	15.5	802,019
Pennsylvania ..	81,526	15,046	1,296.4	168.2	6,611,613
Rhode Island ..	291	1	6.0	-	-
South Carolina	67,269	18,078	992.8	210.7	4,214,909
South Dakota ..	61,376	30,311	4,722.6	916.5	13,667,273
Tennessee	106,576	36,246	1,716.6	464.4	11,865,417
Texas	168,357	80,718	10,405.0	2,951.4	52,066,323
Utah	3,731	706	51.6	7.7	255,168
Vermont	3,880	90	59.5	0.9	38,214
Virginia	66,471	15,341	832.6	137.0	4,350,414
Washington	3,289	1,159	106.8	20.5	1,025,040
West Virginia .	13,899	895	148.1	9.5	336,645
Wisconsin	120,565	35,432	2,989.6	603.4	23,045,903
Wyoming	2,150	527	66.2	12.4	302,290
Total	2,860,936	1,173,733	108,569.1	26,687.7	742,190,019

a/ As of 12/21/61

TABLE II

1961 Feed Grain Program
Corn and Grain Sorghums

	Corn		Grain Sorghums	
	Base Acreage on Participating Farms	Acres Diverted	Base Acreage on Participating Farms	Acres Diverted
Alabama	791,317	432,681	15,478	7,343
Arizona	4,274	1,666	134,214	55,946
Arkansas	122,922	77,955	27,540	12,238
California	77,911	34,121	173,666	70,450
Colorado	247,080	103,761	596,491	241,569
Connecticut ...	1,674	996	-	-
Delaware	74,951	38,515	21	7
Florida	275,903	120,829	1,972	1,367
Georgia	756,466	322,206	19,442	9,516
Idaho	10,250	6,381	167	84
Illinois	6,346,298	2,286,365	14,296	6,198
Indiana	2,994,489	1,377,940	11,811	5,019
Iowa	8,592,513	2,921,401	46,244	15,103
Kansas	1,532,947	654,820	4,720,296	1,874,379
Kentucky	941,615	577,502	34,099	26,535
Louisiana	135,550	76,042	5,972	2,925
Maine	534	393	-	-
Maryland	161,031	79,087	113	81
Massachusetts ..	240	159	-	-
Michigan	984,626	550,151	35	35
Minnesota	4,390,354	1,553,127	1,819	612
Mississippi ...	442,559	237,217	24,925	11,375
Missouri	3,610,514	1,833,667	493,210	228,912
Montana	83,755	39,805	-	-
Nebraska	5,570,827	1,698,253	1,677,418	709,847
Nevada	1,003	784	68	68
New Hampshire -	-	-	-	-
New Jersey	68,846	38,798	-	-
New Mexico	8,581	4,504	284,894	105,208
New York	315,632	190,317	-	-
North Carolina ..	948,403	514,624	43,827	29,223
North Dakota ...	1,046,471	414,675	462	206
Ohio	1,968,071	1,031,411	470	213
Oklahoma	92,674	58,673	949,286	476,199
Oregon	25,769	15,448	189	94
Pennsylvania ..	271,440	167,410	1,151	750
Rhode Island ..	49	30	-	-
South Carolina ..	397,391	205,066	10,192	5,623
South Dakota ..	2,520,625	848,537	145,281	68,001
Tennessee	716,022	446,241	30,110	18,150
Texas	783,685	342,610	6,347,800	2,608,742
Utah	10,926	7,458	341	241
Vermont	1,347	934	-	-
Virginia	236,957	134,765	4,267	2,208
Washington	36,965	18,327	4,695	2,249
West Virginia ..	14,924	9,508	14	12
Wisconsin	1,228,308	603,385	108	46
Wyoming	25,745	11,966	758	397
Total	48,870,434	20,090,511	15,823,142	6,597,171

1962 Feed Grain Program
WINTER BARLEY
 Progress Report Through December 1, 1961

Table III

Preliminary

		:Number:	Base Acres:	Base Acres:	Total	:Value of Ad-	:Value :
	: Estimated:	of :	on :	on :	: Acreage :	vance Pay-	: of :
State:	Total	Farms	All Farms	Signed	To Be	ments Com-	:Sight :
	: Farms	:Signed:	<u>1/</u>	: Farms	: Diverted:	puted for	:Drafts:
	: Up	:	:	:	:	:All Farms	:Issued:
Ala.	218	33	3,569	724	497	3,750	630
Ariz.	1,659	544	170,119	92,175	38,647	620,451	493,496
Ark.	845	156	17,850	6,787	3,829	31,648	14,256
Calif.	8,332	2,465	1,864,000	778,865	284,377	2,989,295	1,208,170
Colo.	14,999	2,936	620,300	206,047	96,475	576,299	31,467
Del.	969	109	16,445	2,606	1,748	17,895	2,553
Ga.	448	181	10,320	4,323	2,776	27,058	11,955
Idaho	17,965	138	604,000	13,230	5,078	41,031	22,788
Ill.	8,204	348	83,904	3,872	2,655	18,884	381
Ind.	7,189	346	58,713	3,326	2,643	18,541	3,240
Iowa			28,500				
Kans.	41,145	7,107	1,038,000	224,733	114,257	626,983	63,044
Ky.	7,215	1,060	78,367	18,114	12,779	102,512	34,128
La.	5	1		7	7		
Md.	7,002	433	87,814	9,163	5,754	57,504	5,687
Mich.	9,966	1,005	79,354	8,751	7,357	55,832	22,942
Minn.	21,601	960	944,565	52,146	19,017	124,316	98,538
Miss.	96	30	3,497	1,639	808	6,388	2,951
Mo.	17,892	2,907	190,304	51,558	39,672	247,070	110,052
Mont.	19,018	341	1,862,050	42,253	15,516	72,501	32,941
Nebr.	13,856	1,101	344,500	28,939	15,532	99,445	28,454
Nev.			15,675				
N. J.	1,922	252	26,215	5,136	3,581	65,410	3,856
N. Mex.	1,309	284	43,785	13,678	6,935	58,947	10,308
N. Y.	3,165	899	29,361	7,726	6,702	56,639	41,606
N. C.	10,554	3,116	65,095	25,426	20,783	207,293	185,554
N. Dak.			3,886,850				
Ohio	8,599	457	65,242	4,291	3,369	27,314	2,847
Okla.	29,330	9,849	812,000	358,112	222,084	1,214,878	130,716
Oreg.	10,372	1,121	539,228	74,915	31,613	279,728	170,370
Pa.	22,625	1,228	186,240	11,406	9,105	87,326	57,082
S. C.	3,038	1,372	30,819	24,622	16,921	153,138	66,340
S. Dak.	17,315	412	577,500	19,383	9,661	53,459	30,615
Tenn.	5,321	1,068	44,398	17,128	12,678	83,200	51,030
Texas	14,565	6,013	477,456	302,840	140,672	820,202	220,240
Utah	8,564	228	156,950	9,685	5,115	44,329	17,843
Va.	13,317	2,722	116,240	33,845	25,170	249,731	110,331
Wash.	8,414	281	691,084	18,766	7,517	86,654	34,672
W. Va.	976	47	11,396	546	490	4,812	
Wis.	2,463	38	39,500	382	344	3,242	616
Wym.	3,226	24	123,112	1,848	856	4,472	3,178
TOTAL	364,399	51,612	16,044,324	2,478,993	1,193,020	\$9,238,184	3,324,877 <u>2/</u>

1/ 1959-60 average acreage planted to barley for harvest as grain or utilized as silage adjusted, where necessary, for abnormal conditions affecting planting.
2/ Total payments based on sign-up would be about twice this amount.

1962 Wheat Stabilization Program

Table IV

WINTER WHEAT

Progress Report through December 1, 1961

Preliminary

State	Total Eligible: Farms	Number of Farms Signed Up	1961 Planted Acres	Program Acres on Signed Farms 1/	Diverted Acres	Value of Advance Pay- ments Com- puted for all Farms	Value of Sight Drafts Issued
Ala.	8,189	4,289	65,000	58,028	33,456	\$ 374,394	\$ 189,319
Ariz.	1,196	390	30,000	17,884	6,570	128,644	93,058
Ark.	17,084	6,593	180,000	103,777	63,718	876,574	438,751
Calif.	6,343	1,806	376,000	268,928	89,137	880,605	231,336
Colo.	22,547	12,786	2,619,000	2,207,520	825,378	9,114,857	533,684
Del.	1,995	458	24,000	11,704	4,076	57,558	15,122
Ga.	22,191	13,233	92,000	128,417	87,219	947,881	460,883
Idaho	31,189	1,858	1,159,000	229,480	59,399	730,261	397,022
Ill.	144,351	22,685	1,766,000	509,810	163,459	2,014,369	252,656
Ind.	128,054	22,445	1,291,000	358,754	159,840	2,016,083	490,690
Iowa	16,593	2,930	145,000	75,435	30,137	370,216	41,632
Kans.	143,335	102,559	10,727,000	9,717,449	2,380,037	27,657,482	1,915,719
Ky.	30,784	8,403	252,000	120,781	63,509	747,785	265,432
Md.	15,553	2,258	149,000	43,879	17,758	213,200	19,336
Mich.	121,406	36,481	1,110,000	539,887	259,879	3,363,544	1,686,340
Minn.	67,971	4,017	1,033,000	120,912	45,016	511,086	358,354
Miss.	3,411	1,757	60,000	45,280	22,392	293,923	178,457
Mo.	146,960	71,430	1,517,000	1,266,855	680,305	9,305,288	4,457,010
Mont.	24,737	5,297	4,116,000	1,018,187	204,116	1,601,201	642,830
Nebr.	81,049	58,869	3,339,000	2,892,936	709,498	8,520,724	2,068,253
N. J.	5,118	1,552	56,000	30,963	12,935	202,357	27,527
N. Mex.	5,439	2,312	291,000	320,677	126,229	1,062,995	122,099
N. Y.	38,561	21,555	263,000	278,321	146,656	2,028,244	1,518,039
N. C.	86,677	50,740	438,000	403,055	314,984	3,611,314	3,097,374
N. Dak.	72,930	14,984	6,612,000		523,515	4,085,926	1,590,785
Ohio	153,108	31,289	1,480,000	536,499	230,374	2,873,892	601,886
Okla.	79,199	57,516	4,887,000	4,512,125	1,639,524	17,238,305	1,519,699
Oreg.	17,720	3,951	852,000	328,259	84,028	1,408,986	649,836
Pa.	89,037	13,015	530,000	142,343	85,016	1,072,761	746,360
S. C.	39,665	24,641	145,000	202,904	152,973	1,578,445	966,493
S. Dak.	46,190	6,594	2,582,000	765,864	207,880	1,737,521	931,944
Tenn.	36,842	14,219	171,000	140,350	93,943	979,822	582,767
Texas	68,532	42,465	4,108,000	3,743,885	1,289,208	11,662,528	1,986,205
Utah	12,657	1,342	240,000	102,710	29,711	265,354	118,957
Va.	52,165	23,040	277,000	226,054	157,483	1,823,191	938,581
Wash.	17,783	4,506	2,094,000	834,495	123,369	2,039,913	908,278
W. Va.	6,146	1,080	30,000	7,880	5,603	66,793	14,966
Wis.	14,833	947	63,000	10,497	7,071	106,657	33,577
Wyom.	3,868	647	279,000	101,436	18,421	159,543	68,873

2/

1,881,408 696,939 55,448,000 32,424,220 11,153,822 \$123,730,222 \$31,160,130

1/ Data represents approximate acreage from which reduction is being made on participating farms.

2/ Total payments based on sign-up would be about twice this amount.

(g) Administrative Expenses, Section 392,
Agricultural Adjustment Act of 1938

This appropriation account for National and State operating expenses was established pursuant to section 392 of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281-1407). There are transferred into this appropriation account amounts estimated to be required for National office direction and for carrying out, or cooperating in carrying out, various programs assigned to the State Agricultural Stabilization and Conservation offices.

The State Committees, appointed pursuant to the provisions of section 8(b) of the Soil Conservation and Domestic Allotment Act, are in general administrative charge in their respective States of all programs assigned to them through the Agricultural Stabilization and Conservation Service. Within the framework of national policy, they determine State policies and direct the adaptation of the national programs to the State.

The amounts transferred into this appropriation account are within the limitations for administrative expenses established under the respective appropriations from which such transfers are made. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1962, as shown below and base for 1963	\$29,263,000
Transfers, 1963, as shown below	<u>26,858,400</u>
Decrease	<u>-2,404,600</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(as shown in Budget Schedules)

Purpose for which funds are transferred into this account :	1961 (actual) :	1962 (estimated) :	1963 (estimated) :	Increase or Decrease :
<u>Agricultural Conservation</u> :	:	:	:	:
Program:	:	:	:	:
For administration of agricultural conservation program .	\$5,753,369:	\$5,741,400:	\$5,741,400:	- -
<u>Acreage Allotments and Marketing:</u>	:	:	:	:
Quotas:	:	:	:	:
For administration of acreage allotments and marketing quota programs	6,955,500:	7,125,000:	7,208,000:	\$83,000
<u>Sugar Act Program:</u>	:	:	:	:
For administration of sugar payment program	1,589,000:	1,591,000:	1,591,000:	- -

(continued on next page)

Purpose for which funds are transferred into this account	1961 (actual)	1962 (estimated)	1963 (estimated)	Increase or Decrease
<u>Conservation Reserve Program:</u>				
For administration of conservation reserve program	1,742,000	1,690,500	1,690,500	- -
<u>Special Agricultural Conservation and Adjustment Programs:</u>				
For administration of the 1961 and 1962 feed grain programs and 1962 wheat stabilization program	- -	2,138,100	2,919,000	780,900
<u>Great Plains Conservation Program:</u>				
For administration of great plains conservation program	16,832	17,063	17,063	- -
<u>Other:</u>				
For services in connection with price support programs and other miscellaneous programs	9,013,297	10,959,937	7,691,437	-3,268,500
Total available for obligation	25,069,998	29,263,000	26,858,400	-2,404,600
Unobligated balance lapsing ...	528,804	- -	- -	- -
Total obligations ^{a/}	24,541,194	29,263,000	26,858,400	-2,404,600

a/ Applied costs for 1961 are \$24,409,471. The difference of \$131,723 reflects primarily a change in unpaid undelivered orders.

WORK PERFORMED WITH FUNDS OBLIGATED IN 1961

(See schedule following next item "Local Administration, Section 388, Agricultural Adjustment Act of 1938".)

(h) Local Administration, Section 388, Agricultural Adjustment Act of 1938

This appropriation account for Agricultural Stabilization and Conservation county offices was established pursuant to Sections 392(a) and 388(b) of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281-1407). There are transferred into this appropriation account amounts estimated to be required for carrying out or cooperating in carrying out various programs assigned to the Agricultural Stabilization and Conservation county offices.

The ASC county and community committees are responsible for the local administration of programs dealing directly with farmers. The elected ASC county committee is in charge of the county office.

The amounts transferred into this appropriation account are within the limitations for administrative expenses established under the respective appropriations from which such transfers are made, unless otherwise provided by other laws. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1962, as shown below and base for 1963	\$176,478,600
Transfers, 1963, as shown below	145,590,000
Decrease	<u>-30,888,600</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(as shown in Budget Schedules)

Purpose for which funds are transferred into this account	1961 (actual)	1962 (estimated)	1963 (estimated)	Increase or Decrease
<u>Agricultural Conservation</u>				
Program:				
For administration of agricultural conservation program	\$23,243,946	\$23,219,300	\$23,219,300	- -
<u>Acreage Allotments and</u>				
<u>Marketing Quotas:</u>				
For administration of acreage allotment and marketing quota programs ..	36,452,840	36,726,000	36,726,000	- -
<u>Sugar Act Program:</u>				
For administration of sugar payment program	891,000	759,000	759,000	- -
<u>Conservation Reserve Program:</u>				
For administration of conservation reserve program	10,261,000	10,625,000	8,463,500	-\$2,161,500
<u>Great Plains Conservation</u>				
Program:				
For administration of Great Plains conservation program	43,700	43,700	43,700	- -

(Continued on next page)

Purpose for which funds are transferred into this account	1961 (actual)	1962 (estimated)	1963 (estimated)	Increase or Decrease
Removal of Surplus Agricultural:				
Commodities:				
For activities in connection				
with marketing orders and				
purchases of surplus				
agricultural commodities ..	10,000	4,253,700	2,414,500	-1,839,200
Special Agricultural Conserva-				
tion and Adjustment Programs:				
For administration of the				
1961 and 1962 feed grain				
programs and 1962 wheat				
stabilization program	- -	15,361,900	15,581,000	+219,100
Other:				
For services in connection				
with price support programs				
and other miscellaneous				
services	76,697,496	85,490,000	58,383,000	-27,107,000
Total available for obligation	147,599,982	176,478,600	145,590,000	-30,888,600
Unobligated balance lapsing ..	-903,737	- -	- -	- -
Total obligations a/	146,696,245	176,478,600	145,590,000	-30,888,600

a/ Applied costs for 1961 are \$145,817,513. The difference of \$878,732 reflects primarily the excess of addressograph equipment on order at the close of 1961 over that on order at the close of 1960.

Funds from this appropriation account are advanced to the ASC county committee each month or quarter on the basis of their estimate of requirements for the period less any unobligated balances on hand. These advances are deposited in the county committee bank accounts and used to pay the expenses of the committees. The estimates for the following month or quarter are reduced by the amounts not obligated in the period just ended. Unobligated balances in the bank accounts at the end of a fiscal year are used for expenses of the next succeeding year. Year end balances are kept as low as possible and as of the end of the last four fiscal years were as follows: 1958, \$4,774,530; 1959, \$4,031,857; 1960, \$4,424,081; 1961, \$8,978,943.

The ASC county committees perform certain functions for the Commodity Credit Corporation. This work includes Price Support operations, a grain storage program, a wool payment program and 1961 Special Agricultural Conservation and Adjustment programs. Administrative expenses under these programs are paid from the county committee bank accounts. Funds for these activities are transferred into the Sec. 388 account from the Commodity Credit Corporation corporate funds. The CCC funds in the Sec. 388 account are then advanced to the ASC county committees in the same manner as other funds. The amount of advances in the fiscal year 1961 was \$67,546,000 and is estimated at \$75,390,000 for the fiscal year 1962 and \$48,283,000 for the fiscal year 1963. The 1963 decrease results from the elimination of CCC advances for administrative expenses of the 1962 special feed grain and wheat programs for which appropriations are requested in the 1963 budget estimates.

SIGNIFICANT ITEMS OF WORK PERFORMED WITH FUNDS OBLIGATED IN 1961

Agricultural Conservation Program

Applications processed	1,001,904
Total farms	5,042,112
Participating farms	1,029,279
Counties in program	3,070

Acreage Allotment and Marketing Quotas

	Estimated Allotments Established	Allotted Acreage	Counties in Program
Tobacco	577,300	1,190,323	753
Peanuts	118,053	1,622,427	496
Wheat	1,840,929	54,960,691	2,671
Cotton	960,282	18,458,424	1,092
Rice	16,689	1,652,596	117

Sugar Program

Number of farms	45,387
Number of acres (includes 464,500 harvested acreage for Puerto Rico, Hawaii, and Virgin Islands)	1,778,723
Number of counties	295

Price Support

Number of warehouse-stored loans	390,781
Number of farm-stored loans	391,169
Number of reinspections of farm-stored commodities	1,170,015
Number of loans and purchase agreements under which CCC acquired the commodity	483,727
Number of repayments	229,000

Grain Storage Structure Program

Number of storage-structure sites	3,850
Number of storage structures	237,260

National Wool Act Payments Program

Number of farms with sheep and lambs	341,886
Number of counties with sheep	2,975

Conservation Reserve Program

Number of 1956-1960 contracts in force	301,543
Number of acres	28,389,695

Feed Grain Program

Number of participating farms	1,172,165
Acres diverted	26,687,682

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1961, were actually received or programmed for 1962 or 1963. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1961	Estimated Obligations, 1962	Estimated Obligations, 1963
Allotment from:			
<u>Great Plains Conservation Program - To</u>			
assist Soil Conservation Service in			
explaining programs of conservation in			
the Great Plains States and in			
relating it to other programs	\$60,532	\$60,763	\$60,763
<u>Emergency Credit Revolving Fund</u>			
<u>Agriculture - For emergency assistance</u>			
in furnishing feed to farmers and			
stockmen in disaster areas	78,983	8,375	- -
<u>Revolving Fund, Defense Production Act,</u>			
<u>Agriculture - For ultimate net costs</u>			
of purchase and resale of agricultural			
commodities initially financed by			
Commodity Credit Corporation	2,723,513	2,855,854	- -
<u>Consolidated Working Fund, General</u>			
<u>Agriculture:</u>			
For area redevelopment program	- -	17,000	- -
For area liaison civil defense			
activities, Department of Defense ..	- -	45,000	- -
Total, Allotments	2,863,028	2,986,992	60,763
Allocations and Other Funds (Advances			
from other agencies):			
<u>Agricultural Marketing Service:</u>			
<u>Removal of surplus agricultural</u>			
<u>commodities:</u>			
Direct purchases	118,953,989	15,000,000	5,000,000
Diversion to by-products and			
new uses	1,236,817	14,000,000	5,000,000
Operating expenses for surplus			
removal and marketing agreements			
and orders	1,471,743	7,157,900	5,334,500
Total, Removal of surplus			
agricultural commodities	121,662,549	36,157,900	15,334,500

(Continued on next page)

Item	: Obligations, 1961	: Estimated Obligations, 1962	: Estimated Obligations, 1963
<u>School Lunch Program:</u>	:	:	:
Food assistance:	:	:	:
Operating expense	: 214,805	: 264,300	: 264,300
<u>Agency for International Development -</u>	:	:	:
For providing or procuring commodi-	:	:	:
ties for other agencies for	:	:	:
distribution to foreign claimants .	: 30,230,664	: 35,066,900	: 35,066,900
<u>Salaries and Expenses, Office of</u>	:	:	:
<u>Emergency Planning - For staff</u>	:	:	:
assistance, defense planning	: - -	: 25,834	: - -
<u>Civil Defense and Defense Mobiliza-</u>	:	:	:
<u>tion functions of Federal Agencies,</u>	:	:	:
<u>Office of Emergency Planning - For</u>	:	:	:
regional liaison representation ...	: 169,495	: 105,095	: - -
Total, Allocations	: 152,277,513	: 71,620,029	: 50,665,700
Obligations under Reimbursements from	:	:	:
Government and Other Sources:	:	:	:
<u>Supply and foreign purchase program .</u>	: 91,103	: 105,000	: 105,000
<u>International Wheat Agreement</u>	: 189,912	: 218,000	: 218,000
<u>National Wool Act</u>	: 229,742	: 270,000	: 270,000
<u>Sale of stockpile cotton</u>	: 2,539	: 2,900	: 2,900
<u>Miscellaneous reimbursements</u>	: 76,559	: 100,000	: 100,000
Total, Reimbursements	: 589,855	: 695,900	: 695,900
TOTAL, OBLIGATIONS UNDER ALLOTMENTS	:	:	:
AND OTHER FUNDS	: 155,730,396	: 75,302,921	: 51,422,363

PASSENGER MOTOR VEHICLES

The Agricultural Stabilization and Conservation Service will not acquire or replace any passenger motor vehicles or station wagons during the fiscal year 1963. The Service will continue to use the General Services Administration motor pools which are conveniently located to ASCS operations throughout the Continental United States.

The two vehicles located in Puerto Rico are used for official travel in connection with the Agricultural Conservation Program, Sugar Act Program and other related activities.

The age and mileage data for the passenger motor vehicles on hand as of June 30, 1961 follows:

<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Mileage</u>
1956	1	20,823
1959	<u>1</u>	16,517
Total	<u><u>2</u></u>	

